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WORLD AGRICULTURAL Situation



THE WORLD AGRICULTURAL SITUATION

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*A special supplement to the *World Agricultural Situation* entitled, "World Fertilizer Situation—1975, 1976 and 1980" will be released by ERS in mid-October.

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Approved by
The Outlook and Situation Board
and Summary released
September 18, 1974

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The next issue of this publication is scheduled for release in December 1974.

SUMMARY

A more sobering picture of the world agricultural situation is emerging than was foreseen last spring. Instead of producing record crops, 1974/75 may turn out to be a disappointing, although by no means a disastrous year. Adverse weather in several key regions, particularly in parts of North America, South Asia, and China, is largely responsible.

World food production in 1974/75 will be hard pressed to match last year's record totals. The developed countries expect a reasonably bountiful harvest this year, but crop prospects for northern hemisphere countries, particularly for grains, have generally deteriorated from the more optimistic expectations earlier in the season.

Soviet agricultural production will probably be larger than last year, but short of the planned increase. Crop production in Eastern Europe will be close to the record crops of the past 2 years. In the People's Republic of China, the harvest of early crops has been good, although not exceptional, while it is too early to estimate the fall harvest.

Sharp decreases in India and Bangladesh are pulling down agricultural production in developing Asia. A generally strong performance is expected in Latin America despite some weather damage to early crops. African agricultural production gives promise of rising significantly because of record grain crops in South Africa and North African countries and improved rainfall in the Sahel and parts of the East African drought zone.

Both the U.S. and other world agricultural economies experienced unusually sharp price rises in 1973/74. Real economic growth slowed in the first half of 1974 to nearly zero in the 6 OECD countries that are major markets for U.S. agricultural exports. Growth should show considerable improvement beginning in the second half of the year. Inflation and foreign exchange shortages brought about by higher energy costs continue to be the most important economic problems facing many countries.

World fertilizer supplies remained tight during 1973/74, although production expanded at a rate roughly equal to the 1968-73 trend. Consumption by major northern hemisphere grain producers increased substantially. Consumption also rose in developing countries but the rate of increase was below trend. Both nitrogen and phosphate output and consumption should improve significantly in 1974/75, but the increase for nitrogen will probably be less than in 1973/74.

U.S. agricultural exports in fiscal year 1974 rose to an unprecedented \$21.3 billion, two-thirds larger than a year earlier, with most of the increase

accounted for by higher prices for commercial exports. In fiscal 1975 the volume of agricultural exports may be down considerably because of limited supplies, but higher prices will probably keep the value of total exports close to the 1974 level.

Current estimates of total grain production and consumption in 1974/75 indicate a continued tight world grain market. Production of wheat, coarse grains, and rice all fell, dropping world grain output below both the record 1973/74 level and the 1960-73 trend. Consumption will be dampened by short supply and high prices, preventing any buildup of stocks in the major exporting countries, or countries like India and Bangladesh hit by drought or flooding. World grain disappearance per capita should be down from last year with the decrease coming mainly from reduced livestock feeding in developed countries. Consumption in the less developed countries—apart from India, where the full effects of drought are not yet known—could increase slightly. With world grain stocks very low, 1974/75 will likely be another year of uncertainty, much like 1973/74.

Preliminary estimates indicate that world oil meal production will be down in 1975, but that the buildup of stocks (mainly soybeans) during 1974 should keep available supplies near the 1974 level. The reduced U.S. 1974 soybean crop is almost entirely responsible for the drop in production. Vegetable oil output is also forecast to be down slightly in 1975, with the 1974 U.S. soybean shortfall again the major cause of decline. Forecasts for both meal and oil are very

tentative since many crops have not yet been harvested and consumption estimates depend upon the availability of substitutes such as Peruvian fishmeal for which the outlook has improved.

World commercial meat production is growing again in 1974, reversing the sharp 1973 drop. Meat prices are steadying below earlier peaks but above levels that existed before the current period of rapid price changes. Slower economic growth, inflation, and higher retail prices for meat have restrained demand. Concern over the farmers' price-cost squeeze has led many governments to intervene in the market by purchasing meat or imposing import restrictions.

Milk production has generally been showing gains in the major dairy regions (excluding USSR and Eastern Europe) so far in 1974, but this probably will not be enough to surpass 1973 levels by the end of the year. Butter production has been down or unchanged as compared to 1973, but increasing milk production and the downtrend of per capita butter consumption is again causing pressure to build up large butter stocks, and especially in the European Community. The demand for cheese continues strong despite high prices. This is also the general situation for non-fat dry milk, although production had been down at the beginning of the year.

The unstable world food situation of the past 2 years has heightened concern over possible U.S. export limitations, U.S. food aid capacity, and the long-term prospects for increasing world food production.

WORLD WEATHER CONDITIONS

Adverse weather in several key agricultural regions has tended to obscure the fact that conditions over most of the globe have been generally favorable in 1974. Dry conditions and high temperatures during a critical segment of the growth period reduced corn, sorghum, and soybean yields in the United States. Scanty winter precipitation and late monsoon rains reduced Indian crop output while severe flooding plagued Bangladesh. On the other hand, the extended drought in the Sahelian countries of Africa appears to have been broken, and most of the other countries of the world were favored with weather which may have posed problems at times in some areas (such as the unusually dry spring in much of Northern Europe and a cool, wet summer in Eastern Europe) but nevertheless proved in the long run to be advantageous to crop production.

United States

Dry conditions during the summer in parts of the southwestern United States had adverse effects on range, forage, and non-irrigated crops. Heavy spring rains hampered seeding operations in the central

United States and in the Great Plains. The dry conditions in the Southwest, which were present in 1973, spread into the southern and middle Great Plains and also affected western and central areas in the Corn Belt. Dry conditions, combined with unremitting high temperatures during a critical stage of the growth cycle, seriously affected corn and soybean yields in these regions.

In other parts of the United States growing conditions in 1974 have been generally favorable and expanded acreage has offset in part lower yields in the Southwest, Great Plains, and Corn Belt. Early frost, however, might reduce corn and soybean yields still further, and as of mid-September much acreage was still immature and vulnerable.

Canada

Spring arrived later than usual in 1974. Heavy spring rains caused abundant soil moisture and even flooding in the main farming regions, especially the Prairie Provinces. The rains delayed and in some areas even halted field operations during the planting season (mid-April to mid-June), resulting in

some shifts from originally planned cropping patterns; some land which would have been planted in wheat was left fallow or was planted in oilseeds. Hot, dry spells hurt Prairie crops to some extent and recent frost has also reduced yields.

Latin America

Weather in the agricultural areas of Latin America was generally favorable during the first half of 1974. The Caribbean, Colombia, and Venezuela finally experienced near-normal precipitation after a 2-year drought. Brazil's coffee escaped without a freeze. Exceptions to the favorable weather occurred in parts of Brazil, Argentina, Paraguay and Peru, where abnormally heavy rainfall and even flooding began as early as January and continued through April, damaging some of the early crops. Wet weather during June in Argentina and Chile also did some crop damage. In contrast to these abnormally wet conditions, Ecuador, to the northwest, experienced drought conditions from December 1973 through April 1974, with precipitation 50 percent of normal. Mexico had generally favorable weather in the first half of 1974 with the exception of the agriculturally important state of Sonora, where an abnormally long dry period caused some concern. Rainfall during July brought relief and alleviated the situation. An extended dry period (June-August 1974) occurred in Nicaragua, damaging grain crops.

Western Europe

The agricultural regions of Western Europe have had generally favorable weather in 1974. The winter was unusually mild with above average precipitation. Advanced fruit crops, however, were damaged by freeze in many countries. Dry conditions prevailed from March into June in most of the North, threatening small grains and hurting row crops. Rainfall in late April and early May helped in the east, but relief did not come until June or July in the north, yet still came in time for good grain yields. West Germany and Austria were unseasonably wet and cool, with occasional damaging rains, during June and July. France was also abnormally cool during most of July, but the month ended with hot, dry conditions, especially in the grain region, which was beneficial for the small grain harvest and corn growth.

Spain, Portugal, Italy and Greece have had generally favorable weather since the 1973/74 winter, although summer weather was too hot and dry for corn in Spain. These conditions contrast sharply to those in Spain and Portugal during 1973, when drought conditions were widespread and adversely affected most crops.

The United Kingdom and Ireland had a mild winter, followed by especially heavy rains in the spring which delayed spring field operations.

Beginning in April, however, precipitation was considerably below normal, and at one point reports told of drought conditions in Britain which were believed to be the worst in 50 years in some parts of the country. Rainfall in June alleviated the dry conditions.

Eastern Europe

Dry fall weather in 1973, a light winter snowfall and lack of spring rain in 1974 caused severe drought conditions in virtually all parts of Eastern Europe this spring. This situation was alleviated by rainfall in late April and early May. Abnormally heavy rains during May-July caused some flood damage and lodging, and delayed the harvest of winter grains and planting of silage crops. Exceptions to these weather conditions were found in East Germany, where the weather has been more favorable for agriculture, and in Bulgaria, where extreme dry conditions continue.

USSR

Weather in the Soviet Union was generally favorable for agriculture during the 1973/74 winter except for the southwestern part, where precipitation was below normal. Abnormally dry conditions continued there into the spring, but rains finally came to the affected areas in late April and early May, raising soil moisture levels. In general, spring and summer weather in the European USSR, west of the Ural Mountains, was cool and wet, resulting in good crop output, but rains during harvesting have reduced grain quality. Much of Kazakhstan and the Siberian zone, east of the Urals, was hot and dry during the growing season and drought conditions adversely affected crops in much of the region.

People's Republic of China

Weather during the People's Republic of China's cropping season through early September 1974 (starting in the fall of 1973) has been less favorable to crop production than last year but more favorable than in 1972. Heavy rains in the northern areas last fall were followed by one of China's driest winters. Several early cold spells, creating frost conditions in parts of central and southern China, affected field operations and crops.

The monsoon season developed later this spring than usual, and the resulting unstable weather conditions since then have resulted in spotty precipitation patterns which suggests less favorable crop production prospects than in 1973.

Australia and New Zealand

Extremely heavy rainfall in parts of Australia began in December 1973 and continued for several months, causing severe flooding during the first quarter of 1974. Some livestock were killed by floods,

but on balance the extra precipitation proved to be advantageous in terms of soil moisture and better pasture conditions. This is in sharp contrast to conditions in 1972/73 when extremely dry weather prevailed over most of the country. In New Zealand, drought continued into 1973/74, but was generally broken in most areas by March 1974. Excellent moisture conditions, with above average precipitation, prevailed throughout August 1974.

Asia

The good weather and harvests that India experienced in 1973 have not continued into 1974. Dry weather during January and February 1974 adversely affected yields of pulses, wheat and other crops grown in winter and harvested in the spring. During February and March, expected winter showers failed to arrive as they had the year before, and wheat production was reduced. Due to dryness, even farmers growing high-yielding varieties on irrigated land reported many problems. The monsoon rains, which are crucial for Indian crops, have been late and scant over the agriculturally important regions. Rainfall at the end of July and in early August provided some relief. However, dry conditions have prevailed in much of the central and western parts of India.

While the 1974 monsoon rains provided India's principal grain regions with only a limited amount of moisture, rains in the northeast, in contrast, were extremely heavy and Bangladesh took the brunt of severe flooding from the end of July through early August.

Heavy rains and flooding affected areas of Central Luzon (Philippine Islands) in August, but have not had a major impact on agricultural production.

In most other parts of Asia, the weather has generally been quite favorable for agriculture. Despite occasional dry periods in different regions of the area during 1973/74, prospects are for good, perhaps record-breaking, harvests in some countries.

Africa

Drought conditions affecting many African countries—in particular, Ethiopia and the countries of the Sahel (Senegal, Mali, Niger, Chad, Mauritania, and Upper Volta)—were relieved in recent months. The widespread and disastrous Sahelian drought, which had persisted in some areas for as long as 6 years, was broken by near-normal to above-normal rainfall in July (the rainy season usually begins in June and extends through September). The rains have continued, and land transportation of relief supplies has been hampered by flooding and impassable dirt roads. It is still too early to determine whether the rainy season permitted bountiful crops, but early reports suggest that the fall harvest will be good in many areas and will provide far more food supplies for domestic use than in recent years. However, even if the drought is ended, continued relief and rehabilitation assistance will be required for some time to come.

In East Africa, too, dry conditions persisted into early 1974, but were alleviated by rainfall in April and May. Drought conditions still affect local areas of Tanzania, and other countries and territories south of the Sahara have reported dry conditions of varying intensity and scope. Elsewhere in Africa conditions were moderate to good, with excellent growing conditions reported in South Africa, in contrast to the severe drought of the previous year. (Kathryn Kayser)

REGIONAL AGRICULTURAL DEVELOPMENTS

Developed Countries

The foreign developed countries will probably have a reasonably bountiful harvest this year. However, crop prospects in the northern hemisphere countries—particularly for grains—have generally deteriorated from the more optimistic expectations earlier in the season.

Heavy spring rains in Canada forced farmers to alter their planting intentions, to include less wheat and more rapeseed. Following the rains, expected diversion of land from wheat to barley did not materialize and summer fallow rose to an estimated 26.4 million acres, nearly 1 million acres more than in 1973. High temperatures and low rainfall in mid-July had an adverse impact on crop conditions over most of the Prairies. Wheat production this year is estimated at 16.0-16.5 million metric tons, compared

with 17.1 million last year. Export availabilities in 1974/75 may approximate 12 million metric tons of wheat (11.3 in 1973/74) and 2.0-2.3 million metric tons of feed grains and 850,000 tons of rapeseed (the last two somewhat less than in 1973/74).

Much of Western Europe experienced a substantial drought in March-June, followed by heavy damaging rains in some areas in July. Both developments are likely to cut grain production below earlier expectations. However, crop conditions in the Mediterranean countries, particularly Spain, were more favorable than last year when serious drought affected much of the area. Total grain production in Western Europe is estimated at 137 million metric tons, nearly 4 million tons more than last year. Most of the expected gain is in wheat—up 4 percent to 52.6 million metric tons. The largest increase in wheat output will probably be in France (about 700,000 tons)

followed by Italy and Spain (about 500,000 tons apiece).

The European Community, which imposed export levies on wheat in August 1973 to curtail shipments and eliminated denaturing subsidies to dampen the use of wheat for feed, had stocks totaling approximately 6 million tons in June 1974. Export tenders for wheat were being issued in July to create needed space for storage of the new harvest. But export taxes on wheat remained at high levels.

Japan, after several years of curtailing rice output and working down excessive stocks, had expected some increase in production in 1974. However, a serious blight has affected 40 percent of the area planted in rice and yields are expected to be down slightly.

Southern hemisphere countries are in a much improved grain supply situation. In Australia, the 1973/74 wheat crop was 12 million metric tons; this was the third largest on record and nearly double that of the previous year's drought-stricken crop. At least 2 million tons were of poor quality due to heavy rains, which began December 1973 and persisted in some areas until June 1974. The 1974/75 crop is expected to be between 11.5 and 12 million tons. Wet conditions held down planting in some areas, and potential rust problems caused some shift into barley.

This year's corn crop (May 1974-April 1975) in South Africa is estimated to total nearly 11 million metric tons allowing the following probable distribution (in million metric tons): Domestic consumption, 6.2; end-of-year stocks, 1.6; exports, just over 3.5. Due to severe drought, exports in 1973/74 totaled only 188,000 metric tons.

The availability of livestock products, particularly meat, has generally increased in developed countries this year. Beef moved from a tight supply-high price situation last year to one of more generous supplies and weakening prices. The European Community—this year faced with sharply increased beef supplies, weak consumer demand, and strong competition from quite ample supplies of pork and poultry—placed a ban effective July 16, 1974 on imports of beef, veal and live cattle through October 1974.¹ Previously, the European Community has imposed a number of less drastic import restrictions. Also, in May, Italy imposed a prior import deposit requirement on many agricultural products. In June, this requirement was lifted for all agricultural products except beef and veal. In addition, the European Community raised export subsidies for poultry meat, increased import protection, and Belgium, Denmark, Germany, France and the Netherlands agreed (in May) to reduce poultry meat production in the last half of 1974 by some 70,000 tons.

¹Products imported under GATT-bound quotas are exempt.

Japan, on February 1, 1974, suspended foreign purchases of beef. Demand for beef in Japan has slackened due to the household budget squeeze caused by inflation, and consequently wholesale prices for dairy steer carcasses have fallen sharply. Canadian beef production is also on the increase but a virtual ban on imports of U.S. cattle and beef (resulting from DES certification requirements) helped keep Canadian prices substantially above U.S. levels through the first half of 1974. Agreement between U.S. and Canadian officials on DES certification requirements was announced on August 2, but effective August 12 the Canadians introduced import quotas for slaughter cattle and fresh and frozen beef and veal. Quotas are based on average imports for the past 5 years. Australian cattle numbers reached a record level of 31 million head on March 31 and the country's meat prices have dropped sharply as a result of reduced market access to Japan and the European Community.

New Zealand's 1973/74 milk production was 6 percent behind the previous year. Stocks of butter in the European Community—312,000 metric tons at the start of July—are well below last year's levels. However, stocks of nonfat dry milk powder are much higher—due in part to the hike in the EC support price and the removal of export subsidies at the end of January 1974. Export subsidies for nonfat dry milk were reintroduced on July 12.

Producer prices for most crops in developed countries are generally being maintained at high levels in the face of low stocks and continued uncertainty about the impact of unfavorable weather on world crop output. Crop production costs have risen sharply, but the ratio of prices received to prices paid is believed to be relatively favorable. On the other hand, livestock and poultry prices in the developed countries have dropped significantly from the high levels reached in 1973. Feed grain prices have remained high and rising costs of other inputs have generally placed livestock producers in a precarious price-cost squeeze. Although governments have acted to aid livestock producers—through measures such as more rigid import controls, export subsidies, intervention purchases to support prices, and subsidies to producers to delay slaughtering, the situation is still serious and inventory reduction could put additional pressures on already low prices, and could result in a future substantial curtailment in output and higher meat prices. Although some significant price declines for meat have occurred at the producer level, retail meat prices have remained relatively stable.

Sharp upswings in prices of basic agricultural commodities—perhaps in combination with fear by importing countries of being subjected to commodity export embargoes—has fomented production and trade policy shifts in developed countries. Japan has embarked on a new program to increase agricultural

self-sufficiency, expand stocks of grains and oilseeds, and accelerate the diversification of supply sources. Western Europe expanded grain area for the 1974/75 season by about 1 million hectares. The European Community, citing the mid-1973 U.S. embargo on soybeans as the stimulus, enacted a common agricultural policy providing support prices for soybeans. France has the goal of planting 100,000 hectares of soybeans producing 250,000 tons by 1980. Despite criticism of the U.S. action on soybeans, the EC later imposed export levies on grains, sugar, and olive oil to insure maintenance of ample home supplies in the face of strong world demand. The Australians expanded grain area by 3.2 million acres in 1973/74 and are expected to push grain area to even higher levels in 1974/75.²

At the start of the current crop year, Canadians anticipated that the prices of all the principal crops would drop during 1974/75, with prices of oilseeds weakening more than the price of grain, and the price of feed grains declining more than the price of wheat. Consequently, farmers intended to increase the area in wheat, reduce the area in rapeseed, and leave barley area unchanged. As noted earlier, heavy rains forced farmers to alter their planting intentions.

Strong consumer demand for beef in the developed countries during the early 1970's—the result of widespread rapid economic growth and a high income elasticity for beef—led to a significant buildup in herd numbers during these years. With the rapid food price increase and limited supplies in 1973, average per capita consumption of beef fell in Canada and Japan. Per capita consumption in and Western Europe has been declining since 1971. Although pork and poultry prices also rose sharply in 1973, these meats were relatively less costly and were often substituted for beef.

Worldwide scarcities and high prices of fuel and fertilizer have not significantly affected the productive capacity of agriculture in the developed countries. Governments have granted priority allocations of fuel to farm production and to the transportation and processing of agricultural commodities. In some cases, exports of chemical fertilizers or their raw components were reduced. Japan, which is the world's largest net exporter of nitrogen fertilizers, exported 22 percent less fertilizer in 1973/74 than in 1972/73.

The energy crisis has, however, added to production, processing, and marketing costs of agricultural commodities and has resulted in serious shortages and structural dislocation for some commodities. The greenhouse industries of Western Europe and Canada were particularly hard-hit by shortages of natural gas for heating during the

winter months. Hexane, a chemical solvent used in the soybean processing industry and a byproduct of the petroleum industry, was critically short. An acute shortage of bunker fuels late last year and in early 1974 seriously disrupted normal trading activities and added sharply to transportation costs. (Reed E. Friend).

USSR

The 1974 Soviet agricultural production apparently will be a little larger than in 1973, thus setting a new record, but short of the 6.4-percent increase planned. The key factor was mostly favorable weather, especially in the European part of the Soviet Union, but it was not as good as last year. Crop production in 1974 is estimated to be roughly 5 percent below 1973. This year's output of livestock products is expected to be 5-10 percent higher than in 1973, and this is being accomplished while also increasing the livestock inventory.

Gross grain production in 1974 is estimated to be about 205 million tons. This is 8 percent below last year's amount, but essentially the quantity planned and easily the second best crop ever grown. However, much rain again during harvesting in many parts of European USSR, and drought-affected grain in some areas in Asiatic USSR, probably have made the quality of a lot of the grain below normal. In the European USSR, the amounts of excess moisture and foreign matter in the harvested grain apparently are larger than normal.

The good grain crop resulted from the combination of increased sowing, greater use of fertilizer, and relatively favorable weather. Total harvested grain area is believed to be about 128 million hectares, the most since 1965 and 4-5 percent above the 1969-73 average.

Gross 1974 wheat production is expected to approximate 90 million tons, about 18 percent lower than the record 1973 total and only 4-5 percent more than in 1972. This year's harvest is unusual since more than half is from winter wheat rather than spring wheat. For the former, following more or less normal winterkill, both the area and production are estimated to be not much different than in 1973. For spring wheat, the area reportedly is down 8 percent and output is believed down 30 percent, with yields having been hurt considerably by drought and heat in several parts of the New Lands.

Gross production of feed grains—barley, oats and corn—is estimated at about 88 million tons. This total, a new record, is 2-3 percent larger than that last year. Most of this increase resulted from an expanded barley area. This 1974 feed grain estimate includes about 57 million tons of barley and 17 million tons of oats.

Output of oilseeds is expected to be a little lower than in 1973. Gross sunflowerseed production is

²For details see "Australia Sowing More Grain for the 1974-75 Crop Year", *Foreign Agriculture*. Foreign Agricultural Service, U.S. Dept. of Agr. July 22, 1974. pp.2-4.

thought to be about 7 million tons, 5-6 percent below last year's record amount. The cotton crop apparently is slightly larger at an estimated 7.8 million tons (unginned), from which about 5.2 million tons of cottonseed will be obtained as compared to nearly 5.1 million tons in 1973. Soybean production is believed to be about 500,000 tons, roughly 18 percent more than in the previous year and considered more or less normal. Linseed output is estimated to be down around 5 percent from last year's level.

Oilseed imports are expected to approximate 300,000 tons, compared to nearly 768,000 in 1973, mainly because it now appears that no soybeans will be imported this year. This reflects the record oilseed output last year, plus sizable soybean imports during the first half of 1973, and the mostly good oilseed prospects in 1974.

Slightly reduced sugar beet and potato crops are foreseen this year. Rainfall again was plentiful in most of the main growing areas, but some spring coolness was a handicap. Sugar beet production is estimated at 80-85 million tons, 3-8 percent below last year's level, and below the amount planned. A potato crop of 95-100 million tons is predicted, 7-12 percent less than in 1973.

Output of livestock products is expected to increase 5-10 percent this year, the result of larger numbers and relatively good feed supplies. Total livestock numbers at the beginning of 1974 were at record highs for all major categories except hogs, which had not quite regained their peak of 2 years earlier. State and collective farms accounted for 77-81 percent of the livestock totals. As of July 1, increases in state and collective farm livestock over the corresponding July 1, 1973, numbers were 3 percent for cattle, 5 percent for hogs, and about 7 percent for poultry. These changes suggest, despite the lack of information on private holdings, that total numbers on January 1, 1975, all will be notable higher than a year earlier.

Feed supplies carried into 1974 reflected the excellent crops and continued sizable imports of grains and soybeans in 1973. The mostly mild winter lightened the drain of winter feeding. During the growing season the favorable rains in many areas promoted good growth of pastures and other forage crops, but interfered with harvesting of the latter.

Production goals were reduced for 1974, as they also were in 1973, from those originally set for meat, milk, and wool, and increased for eggs. These changes, along with sharply boosted imports of meat this year, indicate that the Soviets want their livestock numbers as large as possible for attempting to fulfill the 1975 livestock product targets. The 1974 outturn of livestock products is expected to approximate planned levels. Production in the first half of the year ran significantly ahead of results during the feed-short first 6 months of 1973, but may

not gain much more in the last half of 1974 (except for eggs).

Meat output this year is estimated to be close to the reduced plan level of 14.4 million tons, (in terms of carcass weight, including fats and offals) compared to 13.5 million tons in 1973. Increases apparently will be relatively larger for pork and poultry than for the other meats. Government purchases of slaughter livestock and poultry in the first 6 months of this year were about 9 percent greater than in the same period of 1973.

The 1974 milk production is expected to approximate the new goal of 90.8 million tons, following 87.2 million tons produced last year. Along with increased cow numbers, higher milk productivity per cow is foreseen. State agencies bought about 9 percent more milk in the first half of 1974 than in the comparable months a year earlier. Egg output this year should exceed the increased target of 53.5 billion, compared to the 1973 total of 50.8 billion eggs, due to more hens and better productivity. Government purchases of eggs in the first 6 months of this year were 11 percent larger than in the same period in 1973. The 1974 wool clip is estimated to be a little below the reduced plan amount of 460,000 tons, following last year's 428,000 tons. (Roger S. Euler).

Eastern Europe

The 1974 grain harvest in Eastern Europe is forecast to be close to the 87-million-ton record crops of the past 2 years. Feed supplies are down in relation to livestock numbers, however, and import demand for grain should increase in 1974/75. Livestock were kept on feed longer than usual last spring, pastures were dry and the first cut of hay was poor. Furthermore, late planting delayed development of silage crops. The demand for grain will be dampened, of course, if a good potato crop is harvested. The uncertain foreign market for eastern Europe livestock products and the budgetary strain caused by high world prices for fuel and raw materials may also affect the region's demand for grain.

In anticipation of continued growth in the EC market for beef and in domestic demand for meat, herds and flocks were built up in 1973. Apparently, this buildup continued in the first half of 1974. Mid-year cattle numbers were up 7 percent in Poland and 2 percent in East Germany, Czechoslovakia, and Hungary; hog numbers increased 9 percent, 6 percent, 8 percent, and 22 percent respectively. The large increase in Hungarian hog numbers followed a year of no growth in 1973. These 4 countries raise two-thirds of the cattle and hogs in Eastern Europe. Data for other important countries are not available. As a result of EC restrictions on beef and cattle imports, which began in February, there has been a buildup of

frozen beef stocks in Eastern Europe, feeders have been carrying slaughter cattle on maintenance rations, and exporters have been looking for alternative markets. Eastern Europe has had some success in shifting exports of high-quality beef and cattle to the USSR, North Africa, and the Middle East—probably in exchange for high-priced cotton and petroleum—but total beef exports from the region to all markets probably will be down from the 1973 level.

In addition to using barter to offset the burden of high world prices, Eastern Europe CEMA³ members are trying to conduct more of their trade within CEMA, where the range of foreign trade prices is frozen through 1975. About one-third of Eastern Europe's trade is with non-CEMA countries, however, and consequently they are not completely immune to the effects of world prices.

Within the region, retail prices have been raised for gasoline and diesel fuel, coffee, cocoa, fruits and vegetables. For staples like bread, milk, meat, and sugar, government subsidies have been used to shield consumers from world prices. This has not been true for the less-regulated economy of Yugoslavia, however, where retail prices increased 23 percent in the first 7 months of 1974. Effective July 1974, Yugoslav bread prices were raised 40-54 percent.

Oilseed production in Eastern Europe is forecast to about equal the 1973 level, with smaller rapeseed crops offset by larger harvests of sunflowerseed. (East Europe Program Area)

People's Republic of China (PRC)

Weather in China continues to be a dominant factor in the PRC's agricultural situation. Excessive moisture hampered the sowing of winter wheat last fall and probably caused some reduction in stands. In addition, precipitation in winter wheat producing areas was significantly below normal in the first half of 1974. Further, cold spells in South China this spring resulted in about 2 weeks delay for the early rice crop, due to killing of rice seedlings in some areas, thus requiring retransplanting and possibly crop substitutions. Rainfall in the northeast and areas south of the Yangtze River, has been slightly below normal but has not seriously affected spring-sown crops.

Therefore, winter wheat production, the main winter grain crop, although still good, may very likely be less than last year's bumper harvest, in spite of some increase in acreage and improved irrigation and the use of improved seeds. Recent purchases of large amounts of wheat from Canada and Australia, along with the lack of specific yield and output data

in PRC press reports on "bumper harvest" of winter-sown grain (by lumping wheat, barley, peas, and beans together) tend to support the above conclusion. According to sketchy reports, PRC has completed early rise harvests. It is estimated that 1974 early rice output, which accounts for about 20 percent of total grain production, could equal that of last year's record crop.

It is too early to estimate the Chinese production of fall harvested crops, since it is largely a function of weather. Assuming normal weather hereafter, cotton, oilseed crops, miscellaneous grains, and intermediate rice could reach the record level in 1973. The planting of late rice may have been behind schedule because of the delayed harvest of the preceding early rice crop.

PRC imports of food grains so far have not abated from last year's pace. Agreement was made with Canada in June 1974 for 2 million long tons of wheat for June-December 1974 delivery. One million tons of this commitment is part of a 3-year long-term agreement, whereas the other 1 million tons was an unexpected purchase outside of the agreement. Thus, with 1 million tons from the previous contract, Canada will deliver a total of 3 million tons of wheat to the PRC in fiscal 1974/75. In July, agreements for 1.5 million tons of wheat were signed between PRC and Australia for delivery in FY 1974/75. PRC commitments for the importation of U.S. wheat now total 2.35 million tons for FY 1974/75. This includes 530,000 tons contracted in FY 1973/74, but not delivered then, and 600,000 tons purchased in June. In all, PRC has definite commitments to date to import 6.85 million metric tons of wheat in FY 1974/75. The amount of wheat to be imported by China in FY 1974/75 could be as high as 7.8 million tons if half of the maximum commitments made under the long-term agreements with Canada, Australia and Argentina are shipped in January-June 1975. About 7.3 million tons of wheat could still be shipped if minimum commitments from these countries are shipped. (Charles Y. Liu)

Asia

Agricultural production in developing Asia during 1974 will probably be about 3 percent less than in 1973. Although most countries in the region are showing increases, there are sharp decreases in India and Bangladesh, plus slight downturns in Thailand and Burma.

The estimated 7 percent decline in India's production was caused primarily by poor monsoon rainfall during June and July. Flooding in Bangladesh during July and August has severely damaged the rice and jute crops. Production in Thailand and Burma dropped slightly from the high 1973 levels.

³Council for Economic Mutual Assistance comprised of Bulgaria, Czechoslovakia, East Germany, Poland, Hungary, Romania, USSR, Mongolia, and Cuba.

Excellent crops are being harvested in Indonesia, Malaysia, and Pakistan, while smaller upswings are being reported in Sri Lanka, South Vietnam, and Taiwan. The Philippines is still expecting a slight advance in agricultural output despite flooding in August.

The 1974 Asian⁴ rice crop is currently estimated at about 103 million tons (milled), about a 2.5-percent decline from the previous year but substantially above the drought-affected 1972 crop. The summer drought is expected to result in a 3 million ton decline in India's rice output, while the floods in Bangladesh may reduce the country's rice crop by 0.3 to 0.75 million tons, depending on the success of the massive replanting efforts. In Thailand the expected decline in rice output from 9.5 to 9.2 million tons can be attributed to a slight drought during the planting months in early 1974. The largest increase in the region's rice production is expected in Indonesia, where output may be 1.0 to 1.5 million tons higher than the 1973 crop. Indonesia has suffered drought conditions for the past 2 years. Pakistan's larger 1974 rice crop is due mainly to increased use of high-yielding varieties, while the increase in Taiwan is primarily a result of area expansion. The Philippines, South Vietnam, and Sri Lanka are expecting modest rice production advances, although floods may adversely affect the Philippine crop.

Inflation continues to be a critical problem in many Asian countries, particularly those which import a large share of their consumer goods. Consumer prices through May, 1974 had risen most sharply in Taiwan (25%), South Vietnam (24%), Indonesia (20%), South Korea (17%), Thailand (17%) and the Philippines (14%). Food prices have normally outpaced other items in the consumer price index, with grain prices leading the way in most Asian countries. In addition, import prices (especially fertilizer prices) have soared in most countries.

High world prices have also benefited Asian countries which depend on agricultural or mineral exports as a major source of foreign exchange earnings. The most noteworthy example is Indonesia, where huge oil resources fueled a rise of nearly \$600 million in foreign exchange reserves during the first half of 1974. Higher prices for rice and coconut products were largely responsible for the foreign exchange increases in Thailand and the Philippines, respectively. A higher unit value for oilseed products helped India's reserves show a sharp upswing during early 1974. The only countries in the region to show substantial declines in foreign exchange reserves through June 1974 were Taiwan, South Korea, Pakistan, and Bangladesh. Taiwan and South Korea are both large grain importers and rely on industrial products to provide a large portion

of their foreign exchange earnings. Pakistan's decline can be mainly attributed to lower earnings from cotton exports because of higher export duties which discouraged foreign buyers. Large food grain import requirements in Bangladesh, coupled with stagnant export earnings, have greatly diminished the country's reserve account.

U.S. agricultural exports to developing Asia during FY 1974 totaled \$2.92 billion, a 66 percent increase from FY 1973. South Korea and Taiwan continued to be the biggest markets, but sharp upswings were also noted in India, Hong Kong, Pakistan, and the Philippines. Grains constituted 57 percent of such exports to developing Asia during the year, while cotton accounted for 18 percent. Despite the sharp jump in export values from FY 1973 to FY 1974, only wheat among the major grains showed an increase in volume shipped. Our rice and corn export volumes were both well below the FY 1973 levels, but higher unit prices more than offset the volume declines. The export price for rice more than doubled, climbing from \$216 per ton in FY 1973 to \$504 per ton in FY 1974.

India's prospects for food grain production during the kharif season of 1974/75 (crops grown in the summer and harvested in the autumn and winter) suffered from light monsoon rainfall during June and most of July. Good rainfall improved prospects during the last week of July and early August in most of India, although drought still prevailed in early September in central India from Gujarat to western Bihar. It now appears that coarse grain production during 1974/75 will be 3 to 4 million tons below the 1973/74 level of 28 million tons, even good monsoon rainfall through September. Rice production will probably also be down. However, good rains in eastern and southern India should bring higher yields for about 10 million hectares of high-yielding varieties. Higher rice yields are anticipated in West Bengal, Punjab, Tamil Nadu and Maharashtra, but lower yields are likely in Gujarat, Madhya Pradesh, Uttar Pradesh, Orissa and Andhra Pradesh. It now appears that 1974/75 rice production will be 1 to 2 million tons below the 43.5 million tons harvested in 1973/74. As a result of the drought, peanut production will be down from the 6 million-ton crop harvested in 1973 to possibly below 5 million tons.

Wheat production is also down in 1974. Farmers harvested only about 22.5 million tons of wheat in the spring compared to about 24.9 million tons a year ago. This decrease was due to adverse weather conditions—both low temperatures and extreme dryness—coupled with high incidence of rust. Total food grain output for the July-June year 1973/74 was about 103.4 million tons, up from 95.2 million tons in 1972/73 when the 1972 drought crippled yields of kharif crops.

Grain imports during 1974 have been inadequate and serious food shortages are developing in urban

⁴Excludes Communist Asia, Japan, Australia, and New Zealand.

areas of western India. During the first 9 months of 1974 India's wheat imports approximated 3.3 million tons, compared with 2.1 million tons during the first 9 months of 1973. Wheat imports during October-December 1974 will probably total 2 million tons, but where the wheat will come from and how it will be financed has not been finally determined. India has purchased commercially about 1.3 million tons of wheat and 0.2 million tons of sorghum from the United States so far in 1974. Purchases of Argentine sorghum approximate 600,000 tons.

India's total exports are expected to reach \$4.6 billion in 1974, up about 20 percent over 1973. Higher prices for oilseed products, tea, jute products, textiles, leather and fish have contributed greatly to the rising value of exports. Exports to the USSR are expected to reach \$700 million, about \$200 million above the value for imports of Soviet goods. Apparently India would like to even up the trade by receiving more wheat through Soviet financing.

Severe flooding in *Bangladesh* during July and August has endangered the main rice crop. The actual extent of damage is still unknown. If rains persist and replanting efforts are unsuccessful, the rice crop could be down a million or more tons. If good weather prevails through October, the loss could be much less. The Government of Bangladesh has stated that over 20,000 square miles were affected by the floods, an area greater than the catastrophic floods of 1955.

Bangladesh had endeavored to import enough grain to insure average per capita consumption of 15-16 ounces per day. These food grains are distributed primarily through ration shops at subsidized prices. The rising cost of imported wheat resulted in rationees paying only 53 percent of total cost on May 27, 1974, but thereafter large ration price increases required them to pay 83 percent of total wheat costs. Some debate continues concerning the effect of grain imports. Many feel that imports tend to keep rice prices lower than they would otherwise be and that even higher farm prices would be an effective incentive to induce greater rice production.

Present grain supplies in Bangladesh are insufficient to enable the government to continue to provide the customary food ration to urban dwellers through fair price shops and also to provide food relief to the flood victims in rural areas. The Government therefore faces a serious dilemma: urban unrest is likely to result if grain supplies are used for flood victims at the expense of urban distribution. On the other hand, failure to provide relief to flood victims may seriously alienate the affected rural population.

Unusually good weather in *Indonesia* is expected to result in some production increase for all major commodities. There have been fertilizer shortages and pest damage in isolated areas but the growing conditions are generally much improved over the

previous 2 years. The rice crop is tentatively estimated at 14.5 million tons, a 10 percent increase from the previous year. Rice stocks are reported to be at record levels and greater price stability is expected this year than during the last 2 years.

Indonesia's rice imports uring during 1973/74 (April/March) reached nearly 2 million tons, including 134,830 tons from the United States. The People's Republic of China was the largest supplier, followed by Thailand, Pakistan, and Japan. Imports currently scheduled for 1974/75 total about 1 million tons, but will depend to a large extent on the success of the dry-season crop and world rice availability.

A record rice crop is still being forecast in the *Philippines*, despite heavy rains in several important rice areas in Central Luzon. The country's rice encouragement production program was primarily responsible for the large increase in rice production during 1973/74. The initial success of the program is the major reason that a continued upswing in rice production is anticipated. The program involves the development of a package of technology for selected small-scale farmer cooperators under the supervision of Philippine Government extension personnel. The program now directly assists some 730,000 farmers tilling 1.2 million hectares of riceland in 43 provinces, about one-third of the total Philippine rice area.

Philippine copra production for 1974 is currently expected to total only 1,676,000 metric tons, compared with 1,808,600 tons in 1973. The 1973 crop was also down because of a drought which hit the Mindanao region in late 1972 and early 1973. Some recovery is expected in late 1974 but the increased harvest will probably not be sufficient to offset the low output during the first 6 months.

Pakistan anticipates production of about 2.5 million tons of milled rice for the 1974/75 crop year, about 5 percent more than the previous year.

To encourage a big rice crop, the Government increased procurement prices from RS 62 to RS92 (RS 9.9=\$1.00) per maund (82.28 pounds) for the long grain Basmati rice (7.6 to 11.3 cents per lb.) and from RS 27 to RS 40 per maund for the shorter grain rice from the new high yielding varieties (HYV) (3.3 to 4.9 cents per lb). With the sharp rise in exports the past 2 years, rice was second to cotton as the major foreign exchange earner. The Government is encouraging farmers to grow more of the HYV rice instead of Basmati because of the larger market for the shorter grain rice. Fertilizer appears to be adequate for the 1974/75 rice crop, and if the weather is at least average, there should be a good outturn.

The Pakistan wheat crop in 1973/74 was the largest on record—around 8.3 million tons compared to the previous year's harvest of 7.4 million tons. The 1973/74 record wheat production was helped by the flood which occurred during August and September, 1973. Also, the Government encouraged expansion of wheat acreage by increasing wheat procurement

prices from RS 22.5 to RS 25.5 per maund (\$1.66 to \$1.88 per bushel). In addition, the Government made available ample supplies of fertilizer for the wheat crop. Pakistan is hoping to achieve self-sufficiency in wheat production. In spite of the record harvest, however, Pakistan may still have to import between 500,000 and 700,000 tons of wheat to build up reserve stocks and to insure a steady supply to ration shops.

Thailand's agricultural output will continue strong during 1974/75, but probably will be down slightly from 1973/74 when the weather was excellent. Rice production is forecast at 9.2 million tons, down 3 percent from the previous year's level. Corn production is currently forecast at 2.3 million tons in 1974/75, roughly unchanged from 1973/74. Early drought conditions in a few areas led some corn farmers to switch to other crops, particularly cassava.

Burma. Agricultural production in Burma for 1974 may be significantly reduced due to abnormal flooding this fall. Early official estimates have tentatively indicated that one-half of the cotton, sugar cane, and jute crops were lost. Damage to the rice crop cannot yet be accurately estimated because replanting is still possible; over 280,000 hectares are officially estimated to be affected. (E. Wayne Denny)

Latin America

Agricultural production in Latin America during 1974 is expected to exceed the 1973 record by about 6 percent. Heavy rainfall damaged some early crops in Argentina, Chile, and Brazil. Mexico's sorghum harvest was reduced by dry weather. General weather conditions were improved, however, as near-normal moisture returned to the Caribbean and bordering areas in South America, including Colombia and Venezuela, following a 2-year drought. A continued rise is anticipated for production of basic food crops with near-record grain harvests in Argentina and Brazil. Coffee production recovered and the region's production of sugar and oilseeds maintained rising trends in response to higher prices. Smaller gains are anticipated for bananas and livestock products.

Increased earnings from exports of petroleum, minerals, and agricultural products permitted the maintenance of essential food and energy imports during early 1974, including some buildup in grain reserves. Despite sharply increased costs, mid-1974 foreign exchange reserves exceeded December 1973 values in all countries except Costa Rica, Haiti, Chile, Guyana, Peru, and Uruguay. Total reserves for the region were up sharply due to a sharp rise in export earnings in the petroleum exporting countries (Venezuela, Ecuador, Bolivia, and Trinidad-Tobago).

Rates of inflation, associated with advancing world prices, rose sharply throughout the region. Higher costs for petroleum and related products

added heavily to the burden on foreign exchange reserves in the importing countries, particularly in Central America. Concern with inflation and monetary problems encouraged an increase in import restrictions to conserve foreign exchange, price controls, and subsidies to maintain demand and domestic production. It also stimulated efforts to increase export earnings, including attempts to maintain prices for coffee and minerals under cooperative arrangements between producing countries.

The sharp rise in inflation and production costs is expected to weaken trends in economic growth and demand for products in many countries dependent upon energy imports. Lower rates of economic growth in 1974 are anticipated in several countries, including Brazil, Mexico, and Central America. Despite a sharp rise anticipated for incomes in the petroleum exporting nations, the combined growth rate for the 22 Latin American countries is expected to be significantly below the 7.8 percent growth for 1973.

The trade outlook for the region in the year ahead will be dominated by near-record exports of sugar, coffee, grains, oilseeds, and related products which are expected to maintain unusually high earnings, particularly in the Caribbean and South American countries. Less favorable prospects for meat, cotton, and bananas will be partly offsetting.

In contrast, agricultural imports may decline from the peak levels of the preceding year due to larger supplies and a possible weakening of growth in demand in the importing countries. U.S. wheat exports to the region should continue above normal levels but below the 5.5 million tons for 1973/74 due, in part, to the larger 1974 harvest in Argentina. The general rise in production will also reduce U.S. exports of feed grains significantly below last year's peak of 3.9 million tons.

Argentine agriculture is maintaining a rising growth trend in 1974 with output estimated up 10 percent from 1973 and 8 percent above the record for 1970. A larger area and excellent growing conditions contributed to a 10 million ton corn harvest, the largest since 1941. The sorghum crop was a record 5.5 million tons despite some damage from heavy rains near harvest. Excess rain also hurt cotton output. Although soybean production was up to a record 496,000 tons, total 1974 production of edible oilseeds was up only 0.4 percent from last year. Higher price stimulated larger plantings of wheat and the December 1974 harvest is forecast around 7 million tons, up moderately from last year.

With the second year of relatively high production, Argentina's export supplies of grains through early 1975 should be up sharply from normal levels. In contrast, cattle marketings are reported continuing near reduced levels of a year earlier in face of weakened demand for imported beef in the European Markets.

Brazil's agricultural production for 1974 is estimated about 8 percent above 1973, although cotton production was reduced sharply by heavy March-April rains in the main producing areas. However, soybeans continued a strong expansion, with the 1974 crop up sharply from last year's record to 7 million tons to provide possible bean exports of about 2.8 million tons. The corn harvest, estimated at a record 15 to 16 million tons, may provide exports from 500,000 to 1 million tons. Wheat production continued to recover in response to a sharp increase in support prices. The Government authorized an increase of 12 percent in sugar production, and coffee production recovered sharply to 1.6 million tons, the best harvest since 1965.

Mexico's agricultural situation continued to improve in 1974 and production is estimated up nearly 3 percent, reflecting a larger cotton harvest and further expansion in other crop including wheat, corn, and sugar. These gains were partly offset by adverse weather which reduced the sorghum crop and smaller plantings of soybeans and safflowerseed. Lack of rainfall in northwestern areas continued to restrict irrigation water supplies and forced emergency feeding for cattle in many areas.

Central American agricultural production for 1974 will reflect a sharp rise in cotton and sugar moderate gains in grains and other food crops and an apparent weakening of growth trends in production of bananas and beef. Increased restrictions on agricultural imports are anticipated in some countries faced with growing balance of payment problems.

Other Latin American countries, including the Caribbean, Venezuela, Ecuador, and Boliva should expand imports of grains, oilseeds, and related products. Chile's grain requirements will also remain large for the next few years. With its trade and economic situation for 1974 improved by recovery in fishmeal production to an estimated 1 million tons, Peru will continue as an important importer of wheat and other food commodities. (Howard L. Hall)

Africa and the Middle East

Agricultural production in Africa promises to rise significantly in 1974 from the depressed level of 1973. Record grain crops in South Africa, good grain outturn in North African countries, improved moisture conditions in West Africa, particularly in the Sahel drought zone, and the reduced scope of East African drought are important factors in this year's improved outlook. More coffee, cocoa beans, cotton, and peanuts, major export crops of Africa, were produced this year. Although it is too early to quantify the gain in Africa's production, it will likely prove large enough to effect a reversal in the downward trend of the past few years in per capita food production.

South Africa. One of the bright spots in Africa's agriculture in 1974 is South Africa's corn crop. For the 1974/75 marketing year, it is a record 11 million metric tons, up from the previous year's drought-affected crop of 4 million tons. The production increase is attributed to increased yields and, to a lesser extent, increased area. Especially favorable weather conditions prevailed from planting time (November 1973) through harvest (May 1974). Domestic utilization could reach 6.3 million metric tons as the trend toward feedlots is boosting the annual domestic requirement of feed grains. Allowing for a buildup in stocks to "normal" levels (about 900,000 metric tons), exports of corn could be as high as 3.9 million metric tons. However, the capacity of the inland transport system to move grain to the ports is being severely taxed and will likely limit actual corn exports to about 3.5 million metric tons. (John C. Dunmore)

North Africa. Morocco and Tunisia have had a good grain harvest, but Algeria is reported below average. The three countries may require imports of more than 2 million tons of wheat in 1974/75. Morocco's wheat production is now estimated between 2.3 and 2.8 million tons instead of the 3 million first publicized. Import requirements may reach 500,000 tons. Algeria's import requirements may be as much as 1.5 million tons due to poor harvests. Tunisia's wheat production was down only about 8 percent from the 1973 record. Olive oil production increased this year in all three countries, but import requirements of vegetable oil will exceed 200,000 tons. Agricultural production lags in Algeria where industry has priority. Hundreds of new factories are under construction or coming into production, nearly all financed from oil revenues. These revenues are expected to reach \$4 billion in 1974, more than three times the 1973 level. Some of the income from oil and gas will be used to raise the standard of living of the rural people. Development in Morocco and Tunisia will benefit from much higher prices for exported phosphate rock; increased oil revenues will also help Tunisia. (Herbert H. Steiner)

Egypt. This country continues to be the largest importer of agricultural products in the African-Middle East Area. U.S. agricultural exports climbed \$181 million to \$264 million in fiscal 1974. Egyptian grain imports are likely to reach 4 million tons in calendar 1974. Grain imports unloaded in Alexandria harbor exceeded 2 million tons during January-June 1974, including 750,000 tons during late May and June. Egypt had purchased large quantities of wheat on the world market before prices started increasing. More ships have been arriving at Alexandria harbor than can be conveniently unloaded.

Egypt's wheat imports in 1974 are likely to approach 3 million tons, including about 1 million tons from Australia and over 800,000 tons from the United States. Wheat imports from France are likely

to exceed 600,000 tons in 1974. Imports of smaller quantities from Romania and West Germany are underway, and some plans to receive Russian wheat have been indicated. Imports of wheat flour are expected to exceed 400,000 tons in 1974, mostly from France, the Netherlands, Spain, and the United States. U.S. wheat flour exports to Egypt during FY 1974 reached 65,000 tons for \$9 million.

Spectacular gains in foreign exchange holdings, because of investment inflows and grants from oil-rich Arab countries, contributed to Egypt's increased demand for imported grains. Wheat imports during 1972 and 1973 averaged about 200,000 tons per month or an annual rate of 2.4 million tons. Programs to boost wheat production during 1974 through greater use of Mexican varieties were disastrous in some areas south of Cairo. Farmers didn't receive adequate irrigation water and fertilizer. Yields in some areas near Asyut were only one-third the normal level for traditional varieties. It now appears that the forecast for 1974 wheat production of 2.14 million tons was too high. Total production was probably slightly above the 1.84 million tons recorded in 1973 because of gains in production by farmers in the Delta. (John B. Parker)

West Asia. The wheat crop in West Asia is also below early expectations. Iran has an average wheat crop and is expected to import 1.3 million tons, mostly from the United States, before the next harvest. Turkey's wheat crop was below average at 8.0 million tons and imports are forecast at 1.5 million tons, including about 1 million from the United States.

U.S. wheat exports to West Asia during 1974/75 are expected to increase sharply. Sales to Iran already exceed 1 million tons, and shipments to Turkey are expected to approach 1 million tons in 1974/75. Our wheat exports to West Asia increased from 1 million tons in FY 1973 to almost 2 million tons in FY 1974. Shipments to a new market, Iraq, reached 392,000 tons in FY 1974 and FY 1975 deliveries are scheduled to be almost as large. Lebanon, Saudi Arabia and Gulf Sheikdoms are growing markets for U.S. flour.

Rice imports by the countries of West Asia are likely to approximate 1 million tons during 1974, about 60 percent above the 1970-73 average of 630,000 tons. Large oil earnings by Arabian Peninsula countries, Iraq, and Iran, and wider distribution of petroleum revenues have bolstered the demand for rice. Thailand's exports of rice to these markets, particularly Kuwait and Iraq, made spectacular gains during early 1974. Rice exports by Pakistan, PRC, and the United States to the area are also trending upward.

U.S. rice exports to West Asia increased from 123,800 tons during FY 1973 to 153,009 tons during

FY 1974, despite a 20,000-ton decline in shipments to Iran. During this period, our rice exports to Saudi Arabia increased from 56,804 tons to 90,977 tons and higher prices caused the value to jump from \$14.8 million to \$52.4 million. This was the major market for our rice exports to West Asia valued at \$86 million. U.S. rice exports to Bahrain, Qatar, and United Arab Emirates in FY 1974 were more than 10 times the previous period. New markets for U.S. rice exports in FY 1974 included Oman, 3,092 tons, and Iraq, 9,011 tons. Iraq's rice imports in 1973/74—reported at 265,000 tons—included 95,000 tons from Thailand and 40,000 tons from Peru. Brazil and Pakistan have become important suppliers in recent months.

Kuwait recently bought 22,000 tons of U.S. rice, four times the volume we usually export to that market. After harvesting an average rice crop last autumn, Iran resumed heavy purchases of U.S. rice because of booming consumer demand. U.S. rice exports to Iran are expected to reach 135,000 tons in FY 1975, far higher than the 20,426 tons shipped in FY 1974. Iraq is also buying more U.S. rice because salinity problems led to a sharp setback in rice output. Total U.S. rice exports to West Asia might reach 300,000 tons in FY 1975. (John B. Parker and Michael E. Kurtzig)

West Africa. The drought appears to have been broken in the Sahel—Senegal, Mauritania, Mali, Upper Volta, Niger, and Chad. The rainy season began in June and rainfall has been generally adequate, in some areas even excessive. It appears that 1974 crops will be considerably larger than the short 1973 harvest. Contributions of grains and high-protein foods by developed countries and by international organizations have been shipped to Africa in such quantities that the capacity of roads, railroads, and waterways has been exceeded and shipments have stacked up at the docks in Dakar, Abidjan, Lagos, and elsewhere. Some relief food has been trucked from Oran, Algeria, across the Sahara to Mali at a cost exceeding \$200 per metric ton. Three U.S. Air Force planes are also delivering grain to distribution points in Mali.

Since many cattle and other livestock died in earlier years from lack of food or water, there is now more grass per animal remaining. In many areas the abundant rains have produced an abundance of grass.

In addition to the Sahel countries, drought or near-drought conditions in west Africa have affected northern Cameroon, northern Nigeria, northern Ghana, Guinea, and The Gambia. The droughts in these countries have also been relieved by the summer rains. (Snider W. Skinner)

WORLD PRICE DEVELOPMENTS

During 1973/74, the U.S. agricultural economy experienced unusually sharp price rises (figure 1). But that was not unique, since agricultural prices rose worldwide at all stages of the marketing system. The extent that agricultural prices rose in any one country depended on (1) the agricultural production of that country, (2) the share of agricultural commodities sold or purchased in international trade, (3) the country's internal price policies, and (4) the rise in incomes that influenced consumer demand.

The setting for the price rise is the shortfall in 1972/73 agricultural output, the Russian grain purchase, the rapid economic growth throughout most of the world, and the currency realignment. Even though world agricultural production rebounded in 1973/74, the above factors exerted their influence throughout the 1973/74 crop year.

Farm Prices

From 1972 to 1973, overall average prices received by farmers (table 1) increased 36 percent in the United States, 31 percent in Canada, 19 percent in Belgium, 12 percent in the Netherlands, 10 percent in France, and 3 percent in West Germany. In comparison to the United States and Canada, EC farmers were relatively insulated from the rise in international prices by the Common Agricultural Policy's levy system and by the revaluation of European currencies relative to the dollar. Prices of

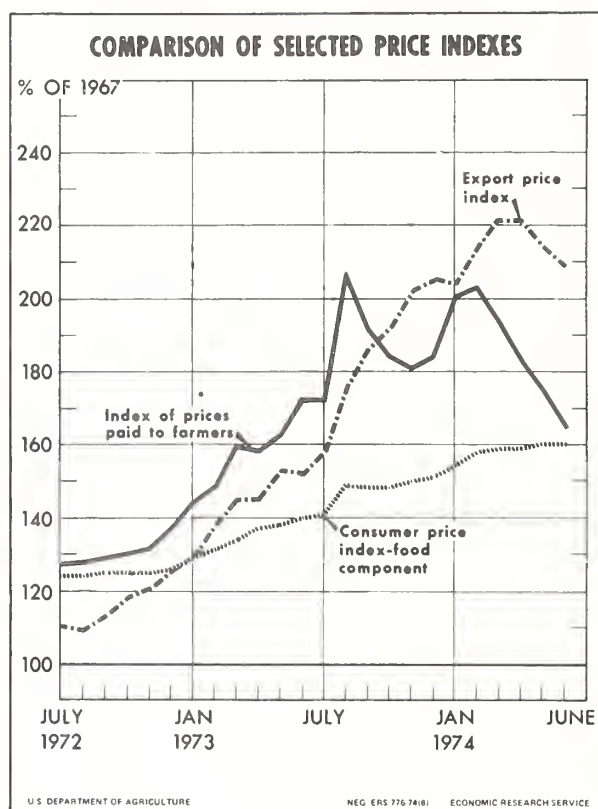


Figure 1

Table 1--Index of producer prices for agricultural products in selected countries

Country	:	:	Fourth	1974									
	:	1973	quarter	:	Jan.	:	Feb.	:	Mar.	:	Apr.	:	May
	:	:	1973	:	:	:	:	:	:	:	:	:	:
	:				(1972=100)								
	:												
Belgium	:	119	113		112		113		113				
Canada	:	131	138		140		143						
France	:	110	110		109		109		109		108		108
Germany, West	:	100	103		102		101		99		97		
Ireland	:	134	139		132		132						
Italy	:	121	128										
Netherlands	:	112	106		113		112		108				
New Zealand	:	139	147				138						
United States	:	137	144		158		161		153		144		138
	:												

Source: Based on indexes in Eurostat EC General Statistics, USDA/SRS, Agricultural Prices, Canada, Agricultural Economics Quarterly, FAO, Monthly Bulletin of Agricultural Economics and Statistics, May 1973.

many farm products in North America and the EC peaked some time during 1973, and by early 1974 had weakened. However, reduced crop prospects in the United States and Canada have renewed upward pressure on prices of soybeans and grains, except rice.

The world meat situation turned around from shortages in 1973 to a surplus by 1974, while feed prices remained high. Major importing countries restricted beef imports. The EC, which currently has a glut, has banned beef imports through October 1974. Japan suspended purchases of foreign beef on February 1, 1974.

As a result, beef prices have declined in Argentina and Australia, the world's major beef exporters. Aside from the beef situation where prices had already provided the incentive for larger output, higher commodity prices have acted to boost agricultural output.

The current high grain prices relative to livestock product prices has reduced the profitability of livestock enterprises, and will likely result in the reduction of herds in some countries.

Prices of Agricultural Inputs

While U.S. farmers generally received record high net farm incomes in 1973, they did so despite sharply increased input costs. In 1973, prices paid by farmers were 14 percent higher than for 1972. From March 1973 to March 1974, U.S. feed prices increased 30 percent, seed prices 49 percent, and fertilizer prices 59 percent. Feeder livestock, however, cost 12 percent less. Canadian and New Zealand agricultural input prices followed about the same pattern as ours from the first quarter of 1973 to the first quarter of 1974. Before the oil crisis of late 1973, many EC countries were succeeding in holding down input costs. West Germany's 60-percent price hike in gasoline from January to September 1973 was a notable exception. With drastically rising input costs, farmers have tried to substitute inexpensive inputs for more expensive ones.

International Prices

In the U.S. agricultural economy, export prices climbed the fastest. The unit values (or prices) of U.S. agricultural exports in 1973/74 were 62 percent higher than during 1972/73, with wheat, rice, and inedible tallow prices more than double the year before. Unit values of U.S. agricultural imports rose

25 percent. Rubber, cocoa beans, and wool import prices rose the most—by 95 percent, 80 percent and 65 percent, respectively. Sugar prices increased 35 percent, then rose more rapidly during the second quarter of 1974.

U.S. export price conditions are reflected throughout the world because of the importance of the United States in world agricultural trade. In 1973/74, 85 percent of the soybeans, 60 percent of the feed grains, 45 percent of the wheat, 30 percent of the cotton, and 25 percent of the rice in world trade were of U.S. origin. Moreover on the import side, the United States was the world's largest buyer of coffee, cocoa beans, and sugar.

How did foreign countries attempt to ward off the effects of the shortages and the high international prices? In the summer of 1973, the EC effectively embargoed all exports of wheat, rice, and feed grains by imposing export levies, and the United States temporarily embargoed, and then licensed soybean, cottonseed, and oilseed and meal exports. Thailand banned rice exports. In the spring of 1974, the United States moved to relieve pressure on its dwindling wheat stocks by encouraging foreign buyers to delay purchases.

Consumer Prices for Food

Worldwide, consumers also paid more for their food in 1973 and 1974 (table 2). In most countries, sharp rises in consumer food prices began in 1973 and continued unabated through the first quarter of 1974. Canada, Australia, and the United Kingdom experienced a 30-percent rise in food prices from 1972 to April 1974—the same as in the United States. West Germany, France, Italy, Denmark, Austria, Netherlands, Belgium, Luxembourg, and Switzerland experienced a slower rise in consumer prices for food. The southern European countries such as Greece, Portugal, and Yugoslavia experienced even faster price rises. Food prices remained fairly constant in the USSR and Eastern Europe (other than Yugoslavia). These countries have a deliberate policy of holding down food prices and have a food subsidy program to absorb farm and international price changes.

Food prices in Zaire, Uruguay, Argentina, Bangladesh, Indonesia, Israel, and Jordan, increased more than 50 percent since 1972. Many of these countries are also faced with general inflation. India's food prices by March 1974 were about 45 percent higher than in 1972. (Christine H. Collins)

Table 2--The food component of the consumer price index in selected countries

Country	:	1973	: Fourth : quarter : 1973	1974				
				Jan.	Feb.	Mar.	Apr.	May
	:							
	:			(1972=100)				
Argentina	:	155	164	159	162	163		
Australia	:	114	123	126	128	129	131	
Austria	:	107	110	114	114	114	115	115
Bangladesh	:	147	169	173	175	177		
Belgium	:	107	110	112	113	114	115	117
Cameroon	:	109	108	116	120			
Canada	:	115	121	123	126	128	128	131
Czechoslovakia	:	100	100	100				
Denmark	:	113	118	120	120	122	123	
Ecuador	:	120	135					
Ethiopia	:	113	113	122	122	120	120	
France	:	110	115	117	118	119	121	122
Germany, West	:	107	108	110	111	111	112	113
Greece	:	122	140	148	150	150	152	158
Guatemala	:	119	126	124				
India	:	121	132	133	136			
Indonesia	:	143	163	168	187	194	196	
Iran	:	107	110	112	116	120		
Ireland	:	117	120		124			
Israel	:	121	126	132	142	167	168	
Italy	:	112	115	119	121	123	125	
Japan	:	113	120	132	138	138	143	141
Jordan	:	119	131	152	150	164	185	
Korea	:	102	106	116	119			
Liberia	:	130	134					
Madagascar	:	109	115	119	124	129	138	
Malawi	:	107	111	116	118	128		
Malaysia	:	115	130	134	134			
Mexico	:	119	136					
Morocco	:	106	114	125	127			
Mozambique	:	98	99	99	113	115	113	
Netherlands	:	108	112	114	114	114	114	
New Zealand	:	111	117	119	120	123	123	122
Niger	:	117	121	120	125	144		
Pakistan	:	128	147	147				
Paraguay	:	121	122					
Peru	:	110	115	113	117	120		
Philippines	:	105	121	129	135	137	143	
Poland	:	101	106					
Portugal	:	109	118	122	129	133	137	
Republic of South Africa	:	115	121	122	122	123		
Singapore	:	135	160	164				
Spain	:	113	119	120	120	122	125	
Sri Lanka	:	112	121	123				
Sweden	:	106	108	110	111	113	109	109
Thailand	:	114	121	128	134	139		
Turkey	:	124	131					
United Kingdom	:	116	123	128	130	131	133	135
Uruguay	:	203	255	250	245			
USA	:	114	120	124	127	129	128	129
Yugoslavia	:	126	132	140	140	142	143	146
Zaire	:	117	125	142	154	148		
Zambia	:	108	111	112	117			

Source: Based on price indexes given in International Labor Office, Bulletin of Labor Statistics.

INTERNATIONAL FINANCIAL AND MONETARY DEVELOPMENTS

As indicated by OECD estimates and projections, real economic growth was practically nil in the first half of 1974 in the 6 major U.S. overseas markets (Japan, Germany, U.K., Italy, France, and Canada) as a group, but growth is projected to be at a rate of about 4.8 percent in the last half of 1974 and 5.4 percent in the first half of 1975. Data on a half-year basis are not available for other developed nations, but they will probably follow fairly closely the cyclical developments of the 6 nations mentioned above. Real growth over the next 12 months, however, will still be below the long-term trend of about 7.5 percent for our 6 major markets.⁵ However, due to the great uncertainty prevalent today, the margin of error on projections is much wider than normal.

Inflation continues to be a major problem in the developed nations. For 20 OECD nations (including the United States) the average annual rate of inflation was about 5.2 percent for the year ending in December 1972. For the 12 months ending in April this year it averaged about 12.6 percent. The range of inflation rates for 1972 was from a low of 3.4 percent (United States) to a high of 8.4 percent (Portugal). For the 12 months ending in April 1974, it was from 7.1 percent (Germany) to 32.6 percent (Greece). The highest rate for 1972 (8.4 percent) was not much above the lowest rate (7.1 percent) for the 12 months ending in mid-1974, thus indicating the pervasiveness of inflation. Incomes in nearly all countries have increased at nearly an equal pace, however, and overseas demand is still growing, although at a very low rate.

An uncertainty faced by U.S. farm exports is whether domestic demand in various countries will translate into effective demand for imports in view of foreign exchange shortages resulting from higher oil prices. Overall there is no shortage of foreign exchange, of course, but the question today is whether the drawdown in reserves through the trade account by various oil importing countries can be matched by an inflow of exchange through the

capital account. This recycling of funds depends to a large extent upon investment decisions by Organization of Petroleum Exporting Countries (OPEC) governments. Not only is there a problem of the direction of capital flows, there is a "timing" problem. Most lending by the OPEC governments is on a short-term basis; the need to borrow is on a long-term basis. Italy represents the outstanding example of a country with high oil import bills caught in this dilemma.

The developed countries which are facing the most difficulty as a result of the oil situation are Italy, France, United Kingdom, Japan, and the Scandinavian countries. Italy and Denmark have instituted policies to dampen import demand but France, the United Kingdom and Japan have not. France has concluded a large trade transaction with Iran. The United Kingdom receives considerable foreign exchange from foreign oil companies that must buy Sterling with dollars to pay approximately 25 percent of the royalties and taxes due to OPEC countries. Japan has called upon its commercial banks to restrict the outflow of dollars for overseas investments and has benefited from large short-term capital inflows. Consequently, France, the United Kingdom, and Japan for the time being are able to handle the situation without new import restrictions. Strong efforts are being made at the international level to avoid trade restrictions as a means of adjustment to the oil situation.

For the most part, the less developed nations have been hard hit by high prices for food, petroleum and fertilizer. To relieve some of the pressures from high oil prices on these nations—as well as all other oil importing nations—the International Monetary Fund (IMF) has instituted an "Oil Facility". This will permit nations to draw foreign exchange from the IMF beyond what they otherwise could have drawn, provided, in the opinion of the IMF, a country has a balance-of-payments need and is taking the necessary steps to adjust to the higher oil prices. The funds available under this facility are limited to about \$3.6 billion—not sufficient to cover expected requirement. Consequently, the IMF is considering the creation of an "Extended Fund Facility". The funds for the Oil Facility are to be borrowed by the IMF from various members of OPEC and the rate of interest, to lenders and borrowers alike, will be 7 percent. (O. Halbert Goolsby)

⁵This rate may appear high relative to some rates of growth reported for industrial nations because (1) it excludes the rate for the United States which was lower than the average and (2) the basis of weighting is the value of U.S. farm exports to these countries and consequently Japan's long-term growth rate (11.1 percent) receives a high weight.

WORLD FERTILIZER SITUATION⁶

World fertilizer supplies remained unusually tight during 1973/74, particularly for nitrogen and phosphate, bringing continued upward pressure on prices. World prices for some fertilizers increased as much as 200 to 300 percent. Nevertheless, production continued to expand at a rate equal to or in excess of the average annual growth rate of nearly 8 percent for nitrogen (table 3) and 5.5 percent for phosphate (table 4) between 1968 and 1973—according to preliminary estimates of fertilizer production by countries which account for over four-fifths of total output. Potash supplies (table 5) seemed sufficient to meet present and anticipated demand.

Production capacity was strained in the developed countries to achieve the increases for nitrogen and phosphate, although substantial capacity remained unused or was slow to come on stream in the less developed countries because of a variety of problems. The largest relative production increases occurred in Canada and the USSR and in many developing countries, particularly for nitrogen. Except for the People's Republic of China (PRC), the increases in the developing countries were small in absolute terms because of the small base on which their increases were computed. India's production of nitrogen was essentially stagnant.

Fertilizer consumption has been increasing at a fast rate. Use nearly tripled between 1960 and 1973. During that time, the share of nitrogen in total consumption increased from 34 to 47 percent, while that of phosphate fell from 34 to 29 percent, and potash from 30 to 24 percent due largely to the large increase in nitrogen consumption in both the developed and less developed countries. According to preliminary estimates available for countries accounting for over four-fifths of consumption, much of the increased demand for fertilizer in 1973/74 came from North America, the USSR, and, to some extent, from the less developed countries. Many of the latter countries could not make all of their demand effective in the marketplace because of limited foreign exchange resources. The less developed countries as a group produce only about three-fifths of the fertilizer they consume.

Fertilizer use by the major developing countries increased substantially, but was somewhat below trend, particularly for nitrogen. Among them, only Bangladesh suffered a small decline in fertilizer (nitrogen) use. Consumption stagnated in India—the

second year in a row—and in Brazil. South Korea and Mexico—the most self-sufficient of the developing countries—recorded large increases. The slowing in the growth of fertilizer use has reduced crop production potential and impeded agricultural progress under the green revolution.

With short-run fertilizer production near or at capacity, high demand stimulated by record grain prices drove fertilizer prices up. Changes in fertilizer prices relative to crop prices indicate roughly the strength of fertilizer demand changes. The limited current data available indicate that prices for both fertilizer and crops have generally risen most in North America, with crop prices rising somewhat more rapidly. Other developed countries have experienced relatively more stable prices. In many developing countries grain prices have risen relatively more than fertilizer prices, although not to the same extent as in North America.

The energy crisis did not "cause" the tight fertilizer market, but it has increased production costs and interfered in some cases with production schedules. Nitrogen production, in particular, is very energy intensive, and in places like Japan, India, and Europe is very dependent upon imported oil. Freight rates for fertilizer have also risen because of increased energy costs, with particularly onerous effects for the less developed countries.

Neither do short fertilizer supplies reflect a lack of basic resources such as natural gas, oil, or phosphate rock, but a lack of investment needed to develop those resources. Record high fertilizer prices appear to be stimulating substantial new investment for both expansion of existing facilities and development of new fertilizer resources.

Preliminary indications are that phosphate output will improve significantly in 1974/75, while nitrogen production will increase slightly less than in 1973/74 despite a large increase in output in the developing countries where expansion of output depends heavily on raising plant operating rates. Fertilizer output should increase substantially in Canada, the USSR, and the United States as well as in PRC, India, and Mexico. While nitrogen consumption is likely to increase substantially in the less developed countries, many are likely to suffer from insufficient supplies relative to their needs, particularly India, Pakistan, and Bangladesh. In the developed countries, the United States and the USSR are expected to increase fertilizer use substantially above the trend in 1974/75. Preliminary estimates indicate growth in fertilizer use may be somewhat less than last year in the other major developed countries. (Richard B. Reidinger)

⁶Based on a forthcoming supplement to the *World Agriculture Situation*. This supplement on the *World Fertilizer Situation: 1975, 1976 and 1980* will be published in October 1974.

Table 3.--Nitrogen fertilizer production, consumption, and balance for major countries, 1972/73-1974/75

Country	1972/73			1973/74			1974/75		
	Production:	Consumption:	Balance	Production:	Consumption:	Balance	Production:	Consumption:	Balance
----- 1,000 metric tons of N -----									
Developed									
United States	8,573	8,140	433	9,074	8,962	112	9,616	9,616	0
Canada	800	440	360	820	510	310	830	525	305
France	1,472	1,660	-188	1,600	1,745	-145	1,750	1,823	-73
West Germany	1,471	1,189	282	1,500	1,250	250	1,600	1,250	350
United Kingdom	751	932	-181	740	900	-160	705	710	-5
Italy	1,046	692	354	1,050	700	350	1,180	740	440
Spain	688	667	21	769	716	53	818	780	38
Netherlands	1,205	375	830	1,500	400	1,100	1,550	410	1,140
Belgium	646	167	479	600	150	450	625	160	465
Norway	396	79	317	586	80	506	530	81	449
USSR	6,551	5,624	927	7,100	6,230	870	7,500	6,500	1,000
Japan	2,215	733	1,482	2,200	800	1,400	2,120	840	1,280
Australia	182	165	17	175	176	-1	202	200	2
Total	25,996	20,863	5,133	27,714	22,619	5,095	29,026	23,635	5,391
Developing									
China	2,028	3,262	-1,234	2,690	4,190	-1,500	3,100	4,600	-1,500
India	1,051	1,778	-727	1,070	1,835	-765	1,302	2,100	-798
Brazil	71	394	-323	163	412	-249	175	475	-300
Mexico	356	519	-163	366	565	-199	500	783	-283
South Korea	419	373	46	525	480	45	568	506	62
Turkey	145	375	-230	135	430	-295	160	490	-330
Egypt	152	350	-198	122	400	-278	132	422	-290
Pakistan	225	346	-121	300	405	-105	300	450	-150
Indonesia	60	347	-287	95	350	-255	256	441	-185
Taiwan	217	197	20	235	196	39	240	200	40
Philippines	55	115	-60	70	130	-60	75	172	-97
Bangladesh	98	145	-47	129	122	7	161	146	15
Centrally Planned	2,245	3,459	-1,214	2,925	4,386	-1,461	3,340	4,800	-1,460
Market Economies	2,632	4,742	-2,110	2,975	5,129	-2,154	3,629	5,985	-2,356
Total LDC	4,877	8,201	-3,324	5,900	9,515	-3,615	6,969	10,785	-3,816
All countries total	30,873	29,064	1,809	33,614	32,134	1,480	35,995	34,420	1,575

Note: Production data excludes industrial use. USSR, Brazil, South Korea, Philippines, Turkey, and China report data on calendar year basis; calendar year data in this table corresponds to the first year of the split year, using the FAO convention. U.S. consumption includes product losses and pipeline requirements. Centrally Planned LDC's include China (PRC) and Taiwan to be consistent with FAO data.

Source: Agricultural Attaches and ERS estimates. 1972/73 data from FAO Bulletin of Agricultural Economics and Statistics, March 1974, with the exception of the United Kingdom and United States.

Table 4.--Phosphate fertilizer production, consumption, and balance, for major countries, 1972/73-1974/75

	1972/73			1973/74			1974/75		
	Production	Consumption	Balance	Production	Consumption	Balance	Production	Consumption	Balance
	----- 1,000 metric tons of P ₂ O ₅ -----								
Developed									
United States	5,794	4,785	1,009	5,991	4,873	1,118	6,695	5,445	1,250
Canada	720	445	275	750	505	245	750	550	200
France	1,620	2,058	-438	1,700	2,202	-502	1,730	2,230	-500
W. Germany	986	903	83	950	850	100	950	900	50
United Kingdom	467	470	-3	465	475	-10	465	470	-5
Italy	500	583	-83	500	540	-40	470	550	-80
Spain	631	467	164	551	481	70	560	500	60
Netherlands	355	104	251	360	100	260	370	98	272
Belgium	788	149	639	750	140	610	750	147	603
Norway	130	51	79	117	57	60	120	58	62
USSR	2,929	2,757	172	3,200	2,993	207	3,700	3,400	300
Japan	729	717	12	730	730	--	730	730	--
Australia	900	880	20	936	905	31	958	931	27
Total	16,549	14,369	2,180	17,000	14,851	2,149	18,248	16,009	2,239
Developing									
China	976	991	-15	725	1,153	-428	800	1,250	-450
India	330	584	-254	327	634	-307	376	590	-214
Brazil	277	709	-432	325	725	-400	350	830	-480
Mexico	230	163	67	341	213	128	376	241	135
South Korea	162	171	-9	163	263	-100	218	284	-66
Turkey	134	246	-112	97	280	-183	170	320	-150
Egypt	116	88	28	80	55	25	85	60	25
Pakistan	5	49	-44	10	880	-70	10	105	-95
Indonesia	0	67	-67	0	85	-85	0	105	-105
Taiwan	55	52	3	52	50	2	62	52	10
Philippines	42	40	2	41	45	-4	43	57	-14
Bangladesh	0	40	-40	0	45	-45	19	54	-35
Centrally Planned	1,031	1,043	-12	777	1,203	-426	862	1,302	-440
Market Economies	1,296	2,157	-861	1,384	2,425	-1,041	1,647	2,646	-999
Total LDC	2,327	3,200	-873	2,161	3,628	-1,467	2,509	3,948	-1,439
All countries total	18,876	17,569	1,307	19,161	18,479	682	20,757	19,957	800

Note: Production data excludes industrial use. USSR, Brazil, South Korea, Philippines, Turkey, and China report data on calendar year basis; calendar year data in this table corresponds to the first year of the split year, using the FAO convention. U.S. consumption includes product losses and pipeline requirements. Centrally Planned LDC's include China (PRC) and Taiwan to be consistent with FAO data.

Source: Agricultural Attaches and ERS estimates. 1972/73 data is from FAO, Bulletin of Agricultural Economics and Statistics, March 1974, except for the United States.

Table 5.--Potash fertilizer production, consumption, and balance for major countries, 1972/73-1974/75

Country	1972/73			1973/74			1974/75		
	Production	Consumption	Balance	Production	Consumption	Balance	Production	Consumption	Balance
----- 1,000 metric tons of K ₂ O -----									
Developed									
United States	2,431	4,423	-1,992	2,410	4,754	-2,344	2,676	5,096	-2,420
Canada	3,820	180	3,640	5,300	205	5,095	6,200	220	5,980
France	1,672	1,601	71	2,063	1,818	245	2,170	1,940	230
West Germany	2,498	1,148	1,350	2,400	1,200	1,200	2,400	1,250	1,150
United Kingdom	0	435	-435	0	420	-420	0	430	-430
Italy	131	266	-135	215	250	-35	230	260	-30
Spain	533	259	274	530	265	265	540	270	270
Netherlands	2	127	-125	5	125	-120	5	124	-119
Belgium	0	188	-188	0	180	-180	0	185	-185
Norway	0	67	-67	0	63	-63	0	63	-63
USSR	5,433	3,238	2,195	6,100	3,619	2,481	7,100	4,600	2,500
Japan	0	600	-600	0	630	-630	0	630	-630
Australia	0	85	-85	0	91	-91	0	96	-96
Total	16,520	12,617	3,903	19,263	13,620	5,403	21,321	15,164	6,157
Developing									
China	80	160	-80	80	224	-144	85	235	-150
India	0	332	-332	0	314	-314	0	380	-380
Brazil	0	456	-456	0	562	-562	0	525	-525
Mexico	0	36	-36	0	41	-41	0	40	-40
South Korea	0	104	-104	79	178	-99	67	223	-156
Turkey	0	27	-27	0	13	-13	0	14	-14
Egypt	0	4	-4	0	2	-2	0	3	-3
Pakistan	0	1	-1	0	3	-3	0	4	-4
Indonesia	0	30	-30	0	40	-40	0	46	-46
Taiwan	0	68	-68	0	71	-71	0	72	-72
Philippines	0	39	-39	0	45	-45	0	70	-70
Bangladesh	0	11	-11	0	11	-11	0	16	-16
Centrally Planned	80	228	-148	80	295	-215	85	307	-222
Market Economies	0	1,040	-1,040	79	1,209	-1,130	67	1,321	-1,254
Total LDC	80	1,268	-1,188	159	1,504	-1,345	152	1,628	-1,476
All countries total	16,600	13,885	2,715	19,422	15,124	4,058	21,473	16,792	4,681

Note: Production data excludes industrial use. USSR, Brazil, South Korea, Philippines, Turkey, and China report data on calendar year basis; calendar year data in this table corresponds to the first year of the split year, using the FAO convention. U.S. consumption includes product losses and pipeline requirements. Centrally Planned LDC's include China (PRC) and Taiwan to be consistent with FAO data.

Source: Agricultural Attaches and ERS estimates. 1972/73 data is from FAO, Bulletin of Agricultural Economics and Statistics, March 1974, except China (PRC) China excludes Taiwan and is based on ERS/USDA data and FAO, Review of Current Market Situation, Trends and Prospects for Fertilizer Supplies and Prices, presented at the FAO Fertilizer Commission First Session, July 2-5, 1974.

U.S. AGRICULTURAL TRADE OUTLOOK

Agricultural exports by the United States in fiscal year 1974 rose to an unprecedented \$21.3 billion, two-thirds larger than a year earlier. This was the second consecutive year that agricultural exports increased by over 60 percent. However, higher prices accounted for about 85 percent of the increase in value. Prices rose sharply for feed grains, wheat, rice, soybeans, cotton, and many fruit and vegetable items. The volume of agricultural trade has almost doubled since 1970.

Exports of farm products increased to over 100 million tons in fiscal year 1974 from around 92 million tons in 1973 and only 55 million tons in 1970. In the past year, all the increase occurred in commercial exports. The largest value increases were for wheat, feed grains, and soybeans and products. Significant gains were also registered for all other major commodity groups. Shipments under Government-financed programs totaled \$942 million, down from \$1,030 million a year earlier. However, the volume fell by more than a fourth.

In fiscal year 1975, the volume of our agricultural trade may decline by about one-fourth because of limited supplies available for export in the United States. Higher prices, however, will likely offset most of the reduced volume to keep the value close to last year's level. Our wheat exports during fiscal 1975 may drop to between 24.5 and 27.0 million tons from fiscal 1974 exports of 31 million tons.

Much of the decline in U.S. exports will probably occur to the USSR, People's Republic of China, and Western Europe. World wheat exports may be down as much as 5 percent from last year's record movement of 70 million tons. However, wheat supplies in other major exporting countries are somewhat reduced from a year ago. U.S. exports to the developing countries of Asia, Latin America, and Africa are expected to remain at a high level.

Our feed grain exports in fiscal year 1975 will probably be off sharply because of the sharp reduction expected in U.S. corn output. Feed grain exports may decline to around 21 to 27 million metric tons, down from around 44 million tons in fiscal 1974. Most of the decline is expected to be to the developed nations, USSR, and the PRC. However, outstanding export sales as of September 1 totaled over 30 million tons, indicating a rather substantial foreign demand. But some of these outstanding sales may be related to speculative demand for U.S. feed grains. Higher prices for feed grains will probably cause a reduction in poultry and other livestock production in the developed countries. Other major exporters such as Argentina, Thailand, and South Africa have larger exportable supplies available during the current year. Feed grain production is expected to be up in the enlarged EC and crop prospects are favorable in the

USSR. With higher feed grain prices, Europe may feed considerably more wheat. Demand will also likely be dampened by the slowing of economic growth in the major developed countries. The greatest uncertainty about the intensity of demand for feed grains concerns the impact of steep price rises upon feed utilization, for which past history provides little guidance.

World rice production will likely be below last year's record, and our rice exports in fiscal 1975 should increase to about 2.0 million metric tons. The export increase is expected in commercial sales to the Middle East and in AID shipments to developing countries during the current year.

U.S. exports of soybeans are expected to total around 14 million metric tons in fiscal year 1975, slightly above a year earlier. Soybean meal exports will probably be somewhat higher while soybean oil shipments may decline slightly.

World output of oilseeds is expected to decline somewhat in 1974 but will still be the second largest on record. But increased U.S. soybean stocks of about 2 million tons (meal basis) from last year, plus the 1974 crop, expected to be the second largest on record, should cushion the effect of the decline elsewhere. Peanut production is expected to be down substantially in India and other parts of Asia. But better peanut prospects in Africa, an expected larger anchovy catch in Peru, and larger soybean output in Brazil will also help to offset the reduced Asian oilseed output.

U.S. cotton exports may decline to about 5 million bales in fiscal 1975 from about 5.7 million shipped in fiscal year 1974. Increased production outside the United States and a softening of demand are weakening the prospects for U.S. cotton exports.

U.S. exports of unmanufactured tobacco (including bulk smoking tobacco) may not match last year's total of 690 million pounds. Some declines expected in our European market may be about offset by increases in the Far East. However, with the relatively low stock level, U.S. prices of tobacco should also average about 10 percent higher than a year earlier.

Because of increased world production of meat, especially beef, U.S. exports of animals and animal products will probably decline in fiscal 1975. Severe import restrictions hamper our exports of beef and poultry meat to Canada and the European Community, and of beef to Japan. Exports of fruits and vegetables should remain close to fiscal 1974's level.

U.S. imports of agricultural products may be slightly in fiscal year 1975 to around \$10 billion. Most of the increase will be centered around sugar,

vegetables, and oilbearing materials. However, price softening for animal products and many tropical products may be offset by higher prices for sugar and

other nonlivestock competitive items. Agricultural trade will probably provide a trade surplus of over \$10 billion in fiscal 1975. (Dwain Rahe)

TRADE POLICY DEVELOPMENTS

As the Trade Reform Act to grant negotiating authority to the President takes shape in the U.S. Congress, prospects improve that formal negotiations to reduce international trade barriers will begin this autumn among nations of the GATT (General Agreement on Tariffs and Trade). As of early September, assuming that reports of successful legislative compromises over points in the bill are correct, trade legislation was expected to be on the President's desk by early autumn. The House had passed a trade bill in December 1973, and substantial progress on a Senate version had been made in committee.

In Geneva, under GATT auspices, a Trade Negotiations Committee and supporting sub-groups have been working on the planning and agenda of the detailed negotiations to come. Analytical and statistical studies are also being prepared.

The first four sub-groups to be activated, and some of their general responsibilities are: 1) *Group on Tariffs*: Documentation of existing tariffs and staff work on the effective date of tariff schedules used to measure duty cuts. 2) *Group on Nontariff Barriers*: Staff work on the following: Quantitative restrictions, government trade monopolies, export subsidies and restraints, packaging and labeling, import documentation, sanitary and health regulations, and special charges on imports, such as variable levies. 3) *Group on Agriculture*: Inventorying of measures affecting agricultural trade, collection of supply and utilization data, coordination of the work of this group with that of other groups. 4) *Group on Tropical Products*: Analytical and statistical studies, and identification

of tropical commodity trade problems, especially those unique to less developed nations.

All this preparatory work is going forward consistent with the guideline in the GATT "Tokyo Declaration" of September 1973 that bargaining on agricultural and industrial products is to be viewed as part of the same process, not as separable bargaining activities. (Joseph R. Barse)

The announcement in the August *Crop Production* report of a sharply reduced U.S. corn crop brought immediate reactions, both at home and abroad. Some domestic users called for restricted exports while foreign consuming nations expressed fears of export controls and declared their objections and concerns.

A clear preference has evolved in both speeches and actions for using diplomatic persuasion and negotiation to reduce demand of major importers for crops in short supply rather than imposing export controls. Our largest regular customers, the EC and Japan, have both reacted positively and cooperatively. In mid-August the Japanese indicated that there probably would be a reduction in their purchases of feed grains next year, compared to the volume imported during the 1973/74 season.

In late August, in a joint press conference with Secretary Butz, EC Agricultural Commissioner Lardinois said the Common Market would act to voluntarily reduce its demand for feedgrains, particularly corn. The amount of reduction would be expected to be about the same magnitude as the Japanese and, furthermore, he also indicated that if the U.S. has to cut back its consumption of grains, it is "normal for us to do about the same." (Sharon Webster)

WORLD GRAIN SUPPLIES TIGHTEN

The following analysis is subject to a number of qualifications. Supply estimates include forecasts of crops still being planted, crops currently being harvested, and crops on which only the most limited information is available. Demand estimates are equally tenuous given the limited experience forecasters have had assessing the impact of unusually sharp price increases on feed use and the effect of high energy prices, lagging economic growth, and worldwide inflation on food demand.

Total Grains⁷

Preliminary 1973/74 and projected 1974/75 production, disappearance, and stock figures indicate a further tightening of the world grain market is likely in the next 6-8 months. Sharp drop-offs in wheat and coarse grain production coupled with a smaller decrease in rice production is expected to pull 1974/75 total world grain production down to 1,133 million metric tons or 45 million tons below the record 1973/74 crop, 30 million tons below the 1960-1973 production trend, and 62 million tons below July estimates (figure 2 and table 6). Disappearance estimates adjusted to reflect the dampening effect of

short supply and high prices set world demand at 1,142 million tons, or slightly above production for the third consecutive year. Stocks in a number of the major exporting countries and food reserves in parts of South Asia particularly hard hit by droughts and floods will have to be drawn down below last year's 20 year-low if the disappearance levels indicated in table 6 are to be actualized. Rice stocks could well be drawn down as much as 1 million tons below last year's critically low level. This year's wheat and coarse grain end stocks are expected to be 99.7 million tons, at best, compared with 107.2 million tons in 1973/74, 108.3 million tons in 1972/73, and 150.0 million tons as recently as 1969/70-1971/72 (table 7). The picture looks even dimmer if the stocks of the four major exporters, or residual world suppliers, are considered. This year's U.S., Canadian, Australian and Argentine wheat and coarse grain end stocks are expected to be 31.5 million tons, as compared with 40.9 million tons in 1973/74, 60.0 million tons in 1972/73 and 96.8 million tons as recently as 1969/70-1971/72. As table 7 indicates, however, the rate of draw down has been considerably faster in the four than in the rest of the world. This accelerated draw down in the major exporting countries combined with an element of stock redistribution in favor of selected communist and less developed countries (LDC's) has resulted in an increasingly larger share of an albeit smaller world stock being held by the importing or marginally self-sufficient countries.

Even with wheat, rice and coarse grains stocks drawn down some 8-9 million tons, however, world per capita grain disappearance is expected to fall short of last year's level. The decrease will occur primarily in the grain-feeding developed countries including the Soviet Union and Eastern Europe where total grain consumption is expected to drop off to 529 kilograms per capita compared with a 558-kilogram-high in 1972/73 and 1973/74. Consumption in the LDC's excluding South Asia, where the full effects of this year's bad weather are not yet known, is expected to go up to 187 kilograms per capita from a 1973/74 level of 184 kilograms per capita. What would ordinarily be a year of local shortages and regional price fluctuations similar to those experienced in 1963, 1965, and 1970 is likely to be another year of major world market disruptions due to the extremely low level of stocks and the extent to which deficit or marginally self-sufficient countries are expected to turn to larger imports rather than reduced consumption to meet production shortages. (Patrick M. O'Brien)

Wheat

World 1974/75 wheat production is currently estimated at 351 million tons, or 16 million tons below

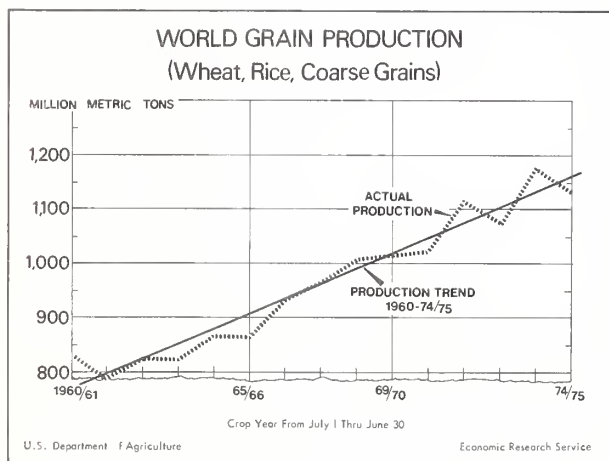


Figure 2

⁷The statistics used in this section are based on aggregations of individual country supply and demand estimates quoted for the appropriated local crop year. Trade is generally quoted on a fiscal year basis. Total grain figures include wheat, rice on a milled basis, and the major coarse grains (barley, rye, oats, corn, and sorghum) but not the minor coarse grains (millet, mixed grains, and several other coarse grains). The totals appearing in the tables of this section do not necessarily match those appearing in the Foreign Agricultural Service *World Grain Circulars* because of variations in country and commodity coverage and the breakout of net exports.

Table 6--Total grain (wheat, rice 1/ and coarse grain) production, disappearance 2/ and net exports

Country or region 1/	1960/61-1962/63			1969/70-1971/72			1972-73			1973/74			1974/75		
	Pro- duction	Disap- pearance	Net exports	Pro- duction	Disap- pearance	Net exports	Pro- duction	Disap- pearance	Net exports	Pro- duction	Disap- pearance	Net exports	Pro- duction	Disap- pearance	Net exports
Developed	316,375	300,377	20,272	403,132	376,546	32,080	423,921	401,721	62,274	449,879	404,286	62,692	421,687	385,117	47,619
United States	168,243	139,668	32,756	208,733	168,825	39,956	226,996	180,173	73,074	375,668	180,685	73,548	212,328	163,458	52,204
Canada	24,193	15,547	9,702	34,701	22,333	14,930	33,430	23,027	18,843	37,390	23,057	14,400	33,321	22,675	15,545
EC-9	70,218	90,745	-21,563	93,291	110,750	-16,789	102,834	117,380	-13,439	105,593	118,210	-12,296	104,113	116,361	-10,787
Other Western Europe	20,473	24,459	-4,051	28,530	33,532	-4,962	29,838	36,249	-5,235	28,997	37,238	-8,849	31,820	37,705	-4,463
South Africa	6,987	4,773	2,139	10,176	7,222	2,449	6,278	7,654	-1,447	13,496	8,296	3,824	11,405	8,360	3,670
Japan	15,535	20,759	-5,314	12,675	27,936	-14,414	11,516	29,764	-17,027	11,534	30,072	-18,718	11,500	30,188	-18,800
Australia/New Zealand	10,726	4,426	6,603	15,026	-6,046	10,910	11,029	7,099	5,671	17,419	6,691	10,683	17,200	7,150	10,250
Centrally Planned	278,651	282,103	-3,150	362,994	368,657	-5,144	367,981	400,898	-32,287	424,555	440,703	-16,890	407,487	419,199	-10,713
East Europe	56,403	63,318	-6,814	72,059	78,723	-6,067	86,105	94,307	-7,972	86,256	90,786	-5,310	85,577	92,269	-7,393
U.S.S.R.	123,348	116,049	7,299	164,965	161,023	3,941	157,436	177,130	-19,694	207,359	211,782	-4,385	191,300	189,420	3,380
China	99,100	102,736	-3,635	125,970	128,911	-3,018	124,440	129,461	-4,621	130,940	138,235	-7,195	130,610	137,510	-6,700
Developing	210,532	220,306	-10,410	285,339	305,443	-19,445	287,709	318,896	-22,293	303,471	333,776	-31,256	303,679	336,949	-30,106
Mexico/Central America	9,565	10,435	-999	15,749	16,897	-1,043	14,347	17,778	-3,403	16,418	19,360	-3,745	15,890	19,407	-3,527
Venezuela	514	900	-386	834	1,766	-951	679	22,199	-1,308	690	1,433	-753	806	2,195	-1,370
Brazil	13,572	15,504	-1,918	21,075	22,610	-832	19,808	23,874	-2,927	22,722	24,473	-2,721	23,550	25,050	-1,300
Argentina	13,043	8,132	5,189	19,222	10,822	8,177	22,833	12,334	10,712	24,006	12,426	11,822	24,418	12,753	11,905
Other South America	5,825	6,892	-1,068	6,882	9,029	-2,107	6,541	10,064	-3,461	6,741	10,406	-3,732	7,494	10,734	-3,140
No. Africa/Middle East	30,124	34,609	-4,550	39,176	49,173	-9,098	43,566	52,355	-8,174	38,192	54,036	-14,880	42,095	54,766	-13,316
Central Africa	11,228	12,071	-842	14,332	16,194	-1,865	16,037	16,037	-1,983	12,066	14,299	-2,234	11,757	14,090	-2,326
East Africa	4,387	4,325	-26	6,854	6,787	-309	6,205	6,406	505	5,889	6,320	339	7,645	6,971	720
South Asia	81,603	86,887	-5,834	103,379	109,141	-5,584	107,933	115,760	-3,945	117,675	125,126	-8,330	109,789	123,938	-10,445
Southeast Asia	16,597	12,608	3,996	22,671	19,347	3,218	19,012	18,588	2,104	22,767	19,214	2,255	21,775	18,909	2,589
East Asia	19,657	23,314	-3,780	29,850	38,319	-8,803	26,950	38,456	-10,068	31,175	40,567	-9,487	33,100	42,496	-9,516
Rest of World	159,122	158,606	516	209,953	206,950	-237	195,333	201,234	256	211,152	210,884	-1,347	5,360	5,640	-280
World total	805,758	802,786	6,712	1,051,465	1,050,646	7,491	1,079,611	1,122,215	7,694	1,177,923	1,178,765	14,448	1,132,853	1,141,265	6,800

1/ Rice on a milled basis.
2/ Disappearance is defined as grain available for consumption.
3/ Regions are made up as follows:

Other Western Europe
Austria, Finland, Greece, Iceland, Malta, Norway, Portugal, Spain Sweden, Switzerland.
Mexico/Central America
Honduras, British Honduras, Guatemala, El Salvador, Nicaragua, Costa Rica, Panama, Dominican Republic, Haiti, Jamaica, Trinidad and Tobago, Other Caribbean Islands,
Bahamas, Bermuda
Other South America
Bolivia, Chile, Colombia, Ecuador, French Guiana, Guyana, Paraguay, Peru, Surinam, Uruguay.
North Africa/Middle East
Algeria, Bahrain, Cyprus, Iran, Iraq, Israel, Kuwait, Libya Oman, Qatar, Saudi Arabia, United Arab Emirates
Central Africa
Angola, Burundi, Cameroon, Central Africa Republic, Chad, Congo, Dahomey, Equatorial Guinea, Ethiopia, French Territ. of Afars & Isaacs, Gabon, Cambodia, Ghana, Guinea
Ivory Coast, Liberia, Malagasy, Mauritius, Niger, Nigeria, Portuguese Guinea, Reunion, Rwanda, Senegal, Sierra Leone, Somalia, Spanish Sahara, Togo, Upper Volta,
Zaire, Mauritania, Mali
East Africa
Kenya, Uganda, Tanzania, Zambia, Rhodesia, Malawi, Mozambique
South Asia
India, Afghanistan, Bangladesh, Bhutan, Nepal, Pakistan, Sri Lanka
South East Asia
Thailand, Burma, Kmer, Laos, South Vietnam
East Asia
Indonesia, Hong Kong, Singapore, South Korea, Taiwan, Brunei

Table 7--World wheat and coarse grain ending stocks 1/

	1960/61- 1962/63	1969/70- 1971/72	1972/73	1973/74	1974/75
	Million metric tons				
Wheat Stocks	71.3	80.0	50.9	51.1	49.8
- Percent of world wheat consumption	33%	24%	14%	14%	14%
Wheat Stocks Held by Major Exporters <u>2/</u>	50.2	48.4	22.7	16.0	14.0
- Percent of world wheat consumption	23%	15%	6%	4%	4%
Coarse Grain Stocks <u>3/</u>	94.9	70.0	57.4	56.1	49.9
- Percent of world assumption consumption	23%	13%	10%	9%	9%
Coarse Grain Stocks Held by Major Exporters	71.4	48.4	37.3	24.9	17.5
- Percent of world consumption	17%	9%	6%	4%	3%
Total Wheat & Coarse Grains Stocks	166.2	150.0	108.3	107.2	99.7
- Percent of world wheat & coarse grain consumption	26%	17%	12%	11%	11%
Wheat & Coarse Grain Stocks Held by Major Exporters	121.6	96.8	60.0	40.9	31.5
-Percent of world wheat & coarse grain consumption	19%	11%	6%	4%	3%

1/ Stock data are based on an aggregate of different local marketing years. Stock data are not available for the USSR, PRC and parts of Eastern Europe but the world total has been adjusted for estimated year to year changes in the USSR. Comparable data on rice stocks were not available. It is generally assume that rice stocks are small enough to be ignored without affecting the world grain stocks total substantially.

2/ U.S., Canada, Australia and Argentina.

3/ Corn, rye, barley, and oats.

Source: 1960/61-1962/63, 1969/70-1971/72 and 1972/73 data compiled in the Foreign Agricultural Service; 1973/74 and 1974/75 data compiled in ERS

1973/74 production, and 14 million tons below the 1960-1973 trend (figure 3 and table 8). Continued tight supply and high prices are expected to pull disappearance down from last year's 367-million-ton peak to a level of roughly 352 million tons. Demand through the late 1960's and early 1970's generally increased faster than population. Decreased per capita use of wheat for food in the developed countries was more than offset by increased per capita feed use in the developed and communist countries and by increased per capita food use in the less developed countries. The disappearance estimates used in table 8 suggest a slight slow down or temporary reversal or at least the feeding component of this long term demand trend. Wheat feeding in the communist countries is expected to drop off about 20 million tons while feeding in the developed countries is expected to increase a net 1.5-2.0 million tons due only to a 3-4 million ton increase in Western Europe. A narrowing of the price margin between domestically produced wheat, currently priced below world market levels, and imported corn, rising in price due to an even shorter coarse grain supply, is likely to induce Western European livestock producers to feed more wheat this year than last year. Food use in the developing countries is expected to continue increasing on trend allowing for small gains in per capita consumption. Despite what adds up to be a drop in total usage of some 16 million tons, however, wheat end stocks will most likely be forced down 1-1.5 million tons to a new low of 49-50 million tons.

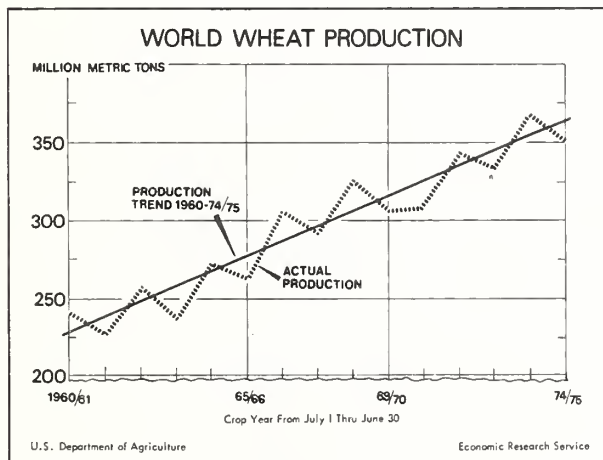


Figure 3

The major factors contributing to the tight wheat situation are:

1. Disappointing wheat output for the four major exporting countries as a group. Production for 1974/75 in the United States, Canada, Australia, and Argentina is now estimated at 81.5 million tons—down slightly from the 82.5 million tons harvested in 1973/74 but

substantially lower than the 89 million tons forecast in July and the 93 million forecast in June. In the United States, drought in large areas of the Great Plains is expected to neutralize much of the effect of planting 70 million acres by pulling yields down to 28 bushels per acre, or 1.9 tons per hectare. Early September reports estimate the crop at 1,792 million bushels, or 48.8 million tons. Wet spring weather in western Canada held up planting of the wheat as well as the coarse grain crops. Wheat area is currently estimated at 12 percent below May-June planting intentions and 4 percent below the actual 1973/74 area. Wheat yields are expected to be 22 bushels per acre, or 1.5 tons per hectare, down from a previously expected 25 bushels or 1.7 tons. Early frost during the first week of September, however, could reduce yields even further and drop the crop to roughly 14.2 million tons or 522 million bushels.

Only sketchy information is available on the Australian and Argentine crops. On the basis of a slight reduction in area and mixed weather conditions, suggesting yields slightly below last year's level, the Australian wheat crop is estimated at 11.0 million tons, or 1.3 million tons below last year's record. In Argentina, favorable changes in key grain-livestock price ratios are expected to encourage wheat as well as coarse grain producers to expand area and harvest a larger proportion of the crop for grain. Optimistic estimates set the 1974/75 wheat crop at 7-7.5 million tons. It must be kept in mind, however, that much of the Southern Hemisphere crop is still being planted. Poor weather during the second part of the year could reduce the Australian and Argentine crops 2-3 million tons and drop production in the major exporting countries even further below the 1973/74 level.

2. Poor wheat crops in the Soviet Union and the People's Republic of China. A drop in the Soviet wheat crop of 20 million tons is expected this year due largely to a 4-million-hectare reduction in area and a drought-related drop in yields. In past years, however, roughly a third of the Soviet crop left over after food needs and export commitments were met was used for feed; consequently, this year's bumper coarse grain crop can be expected to fill whatever wheat shortfall actualizes. It should also be kept in mind that last year's record 110-million-ton crop was harvested during a particularly wet fall and weighed in about 6 percent heavier than crops harvested under normal weather conditions.

Preliminary figures indicate that Chinese wheat production is also likely to fall off from

Table 3--World wheat production, disappearance and net trade

Country or region	1960/61-1962/63			1969/70-1971/72			1972/73			1973/74			1974/75		
	Production	Disappearance	Net exports	Production	Disappearance	Net exports	Production	Disappearance	Net exports	Production	Disappearance	Net exports	Production	Disappearance	Net exports
Developed															
United States	94,072	73,873	21,557	111,866	87,414	28,901	116,611	91,907	45,586	127,710	87,861	46,790	128,360	90,575	39,460
Canada	33,375	16,307	18,142	40,025	21,724	17,881	42,046	21,844	31,769	46,570	21,366	32,254	48,770	21,500	25,850
EC-9	12,404	3,965	9,459	13,901	4,675	11,750	14,514	4,767	15,689	16,460	4,607	11,500	14,200	4,125	12,600
Other Western Europe	29,653	35,781	-7,095	36,630	40,650	-3,500	41,236	43,704	-2,468	41,170	40,794	527	42,550	43,400	-750
South Africa	8,463	10,285	-1,812	9,880	10,800	-775	9,956	10,919	-231	9,228	10,408	-970	10,000	10,400	-300
Japan	781	914	-133	1,460	1,315	-60	1,746	1,473	+344	1,790	1,475	330	1,640	1,650	60
Australia & New Zealand	1,648	4,247	-2,683	550	5,250	-4,695	284	5,558	-5,444	202	5,742	-5,355	200	5,800	-5,600
	7,748	2,374	5,679	9,420	3,000	8,300	6,829	3,642	4,216	12,290	3,829	8,504	11,000	3,700	7,600
Centrally Planned															
East Europe	104,058	108,666	-4,468	142,979	146,822	-3,377	144,639	167,470	-22,630	169,574	177,742	-8,904	150,670	158,170	-6,000
U.S.S.R. 1/	16,871	22,651	-5,640	26,265	31,070	-4,261	30,646	34,592	-3,745	31,894	34,467	-3,309	33,000	36,000	-3,000
China	67,187	62,175	5,012	92,804	88,004	4,799	85,993	99,593	-13,600	109,680	109,080	600	90,000	87,500	4,000
	20,000	23,840	-3,840	23,910	27,748	-3,915	28,000	33,285	-5,285	28,000	34,195	-6,195	27,670	34,670	-7,000
Developing															
Mexico/Central America	42,316	55,242	-13,451	61,493	82,961	-21,713	73,216	96,830	-22,316	69,534	101,243	-31,264	71,876	103,425	-29,860
Venezuela	1,375	1,866	-534	2,100	2,950	-810	1,745	3,219	-1,433	2,045	3,615	-1,666	2,345	3,790	-1,445
Brazil	1	331	-330	1	707	-706	1	645	-644	1	615	-615	1	675	-675
Argentina	276	2,441	-2,165	1,766	3,780	-1,835	800	3,825	-2,966	1,950	4,200	-2,840	2,500	4,800	-2,300
Other South America	5,208	3,569	1,869	5,875	4,225	1,640	6,900	4,209	2,777	6,560	4,400	2,100	7,500	4,650	3,000
	2,011	3,000	-1,011	1,950	3,840	-1,850	1,351	4,372	-2,863	1,276	4,126	-2,940	1,520	4,265	-2,780
No. Africa/Middle East															
Central Africa	15,069	19,261	-4,234	20,470	28,732	-7,533	24,364	30,828	-6,186	19,836	32,218	-11,582	23,150	32,940	-10,154
East Africa	625	1,031	-406	856	1,945	-1,095	879	2,014	-1,170	867	2,165	-1,297	770	2,400	-1,526
	158	294	-195	288	551	-269	293	691	-338	268	671	-386	295	700	-378
South Asia															
Southeast Asia	17,490	21,865	-4,861	27,810	31,235	-4,600	36,590	41,711	-3,593	36,519	44,827	-7,445	33,525	44,425	-9,200
East Asia	0	33	-33	36	360	-325	50	548	-489	50	411	-460	50	435	-252
	103	1,551	-1,551	341	4,636	-4,330	243	4,768	-4,411	162	3,995	-4,133	220	4,345	-4,150
World total	240,446	237,781	3,638	316,338	317,197	3,811	334,466	356,207	1,640	366,818	366,846	6,622	350,906	352,170	3,600

1/ Production in gross terms unadjusted for moisture. The 1973/74 moisture content was 6 percent above the average 10 percent, the 1974/75 crop is expected to be only slightly above average.

last year's peak in spite on increases in area, improved irrigation and upgraded seed. This production decline combined with what appears to be a policy of building stocks and trading higher-priced rice for lower-priced wheat is likely to push PRC imports up to 1 million tons above last year's record 6.2 million tons. Contracts to date have been signed for 3 million tons of Canadian wheat, 1.5 million tons of Australian wheat, and an unspecified amount of Argentine wheat. Combining these 4.5-million-ton commitments with new and carry-over contracts for 2.35 million tons of U.S. wheat sets total Chinese imports as low as 6.8 million tons if minimum contract commitments are met, and as high as 7.2 million tons if maximum commitments are met. Unlike the Soviet or the Chinese crop, the Eastern European crop is expected to be up a million metric tons. But despite this bumper 33-million-ton crop, total production in the communist countries is expected to be down 19-20 million metric tons.

3. Deterioration of the general food situation in South Asia. Floods in Bangladesh and droughts in large parts of India are expected to cut production of wheat and rice 3.5-4.0 million tons and production of corn, barley, sorghum and assorted millets used for food 4.0-5.0 million tons. The situation is expected to be particularly bad in India where 6-7 million tons of the drop-off in production is concentrated. Indian grain stocks are currently estimated at a 3.5-4.0-million-ton low while privately held stocks are thought to be at equally low levels due to the generally poor 1972/73 and 1973/74 crops, and the disruptive effects of nationalizing the

wholesale trade. Under similar circumstances in the past, India depended on large imports of wheat at concessional prices. But given current export prices and the strength of world commercial demand, concessional imports are likely to be minimal at best. Table 8 estimates, setting all of South Asia's wheat imports at 9.4 million tons and India's share of the regional total at about 6 million tons, leave over one-half of the drop-off from last year's production to be absorbed through consumption cut-backs.

4. Continued growth in LDC food demand more than offset by bumper crops. Despite cut backs in South Asia, LDC wheat consumption is expected to increase to 103.5 million tons, or roughly 2.5 percent more than in 1973/74. Production is estimated at 71.9 million tons, or slightly more than 3.5 percent above the 1973/74 level. Good crops in North Africa, the Middle East, and most of South America are expected to keep the gap between current LDC production and consumption at the 30-million-ton level, or some 1-1.5 million tons below last year's margin. If South Asia is excluded, the 1974/75 LDC wheat gap would shrink to 21.0 million tons compared with 23.8 million tons in 1973/74.

Import and export estimates used in drawing up table 9 set 1974/75 world wheat trade at 66-68 million tons, down from a record 73 million tons in 1972/73 and 70 million tons in 1973/74, but still appreciably above the 50-million-ton level of the 1960's. Adjusting for transshipments and netting out imports and exports within any one country or region sets world exports at 53 million tons of which the four major exporters will provide a slightly reduced but still overwhelming 90 percent. The U.S. share is expected

Table 9--Gross world wheat 1/ and coarse grain 2/ trade

	: : 1960/61- : 1962/63 :	: : 1969-71 :	: : 1972-73 :	: : 1973-74 :	: : 1974-75 :
	- - - - - Million metric tons - - - - -				
Wheat.....	45.6	54.1	73.1	68.7	67.9
Coarse grain..	<u>31.0</u>	<u>45.0</u>	<u>64.6</u>	<u>76.7</u>	<u>57.2</u>
Total.....	<u>76.6</u>	<u>99.1</u>	<u>137.7</u>	<u>145.4</u>	<u>125.1</u>

1/ Products other than flour are excluded.

2/ Excludes products.

3/ Gross trade--no adjustments made to net out imports or exports of different qualities or grades within any one country or region.

Source: Foreign Agricultural Service.

to fall back to 25-26 million tons, or roughly half of the net total this year, as compared with slightly over half last year and two-fifths in the late 1960's and early 1970's. (Patrick M. O'Brien)

Coarse Grain

The coarse grain supply and demand situation is expected to be even tighter than the wheat situation. World 1974/75 production is currently estimated at 572 million tons—28 million tons below record 1973/74 levels and 15 million tons below long-term 1960-73 production trends (figure 4 and table 10). Despite a drop in demand of some 23 million tons from last year's total, world disappearance is expected to be 578 million tons, or slightly above production for the third consecutive year. Stock draw downs in the major exporting countries are expected to cover the 6.0-6.5-million-ton margin, but only at the cost of reducing coarse grain stocks below last year's record low of 56 million tons. Low stocks and record high prices are likely to change what would ordinarily be a year of limited stock draw downs and maintenance rations for slightly reduced livestock herds in hardest hit areas into a year of generalized cutbacks in grain feeding and high slaughter rates similar to those prevailing before the herd buildups of the late 1960's and early 1970's. The supply situation may prove even tighter than the coarse grain figures in table 10 indicate due to the exclusion of a number of millets, sorghums, and small and mixed grains for which little or no information is available. Severe droughts and flooding in large sections of underdeveloped Africa and Asia could cut production of these minor grains, used largely for food, 5-10 million tons from a 1973/74 level of 50-60 million tons.

The major factors shaping the 1974/75 coarse grain situation are:

1. Sharp reductions in key U.S. coarse grain crops. Drought in large areas of the Midwest is expected to reduce yields and leave a larger-than-usual share of a stunted corn crop unharvested. September estimates set total U.S. coarse grain production at 160 million tons, or 26 million tons below last year's level and 36 million tons below July projections. Cutbacks in grain feeding are expected to ease the production shortfall to a limited extent. The remainder of the shortfall will likely be accounted for by a 5-6-million-ton stockdraw down and a reduced U.S. export availability of approximately 25 million tons. U.S. ending stocks are expected to be roughly 13 million tons compared with 19 million tons in 1973/74 and 30 million tons in 1972/73. Both 1972/73 and 1973/74 U.S. coarse grain exports reached the 39-40-million-ton level.
2. Weather related drops in Canadian and Mexican coarse grain production together with below-average European Community and Eastern European corn crops are expected to pull world production outside the United States down below last year's level. But a record 100-million ton Soviet crop and an Australian crop of 6.0 million tons, an Argentine crop of 16.7 million tons, a South African crop of 9.7 million tons, and smaller increases in a number of LDC corn, sorghum and barley crops are likely to hold the drop off to 2-3 million tons. Once again, however, these Southern Hemisphere forecasts are based on the assumption that tight supply in the first quarter of the marketing year will encourage farmers to plant, harvest, and market as large a crop as possible. Any dramatic improvements in either the wheat or coarse grain situations in the first part of the marketing year or poor weather from December to May could reduce this estimate sharply. Reduced world consumption of coarse grains. Increases in food demand primarily in the LDC's are expected to be more than balanced by reduced feed demand in the developed countries. Good crops throughout the underdeveloped world excluding South Asia will allow the LDC's to meet consumption out of current production and export 2-3 million tons of coarse grain to the developed and centrally planned economies. A sharp drop in feed grain usage is projected for the developed countries where high input costs resulting in higher consumer prices plus slowed economic growth and rising inflation rates are expected to dampen demand for livestock products. U.S. consumption is expected to fall 17 million tons

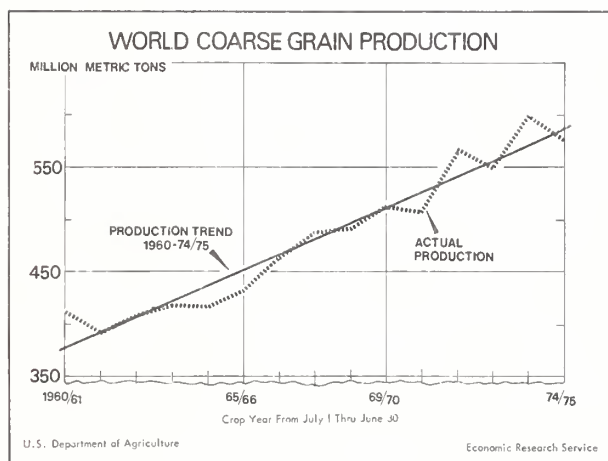


Figure 4

Table 10--World coarse grain 1/ production, disappearance and net trade

Region or country	1960/61-1962/63				1969/70-1971/72				1972/73				1973/74				1974/75			
	Production	Disappearance	Net exports	Net imports	Production	Disappearance	Net exports	Net imports	Production	Disappearance	Net exports	Net imports	Production	Disappearance	Net exports	Net imports	Production	Disappearance	Net exports	Net imports
Developed.....	207,710	212,282	-1,656	375,685	274,647	1,076	292,555	295,372	14,646	306,713	302,735	14,243	277,061	281,030	14,243	277,061	281,030	14,243	277,061	14,243
United States.....	133,001	122,516	13,592	165,830	145,787	20,356	182,129	157,144	39,534	186,025	158,100	39,655	159,800	140,700	39,655	159,800	140,700	39,655	159,800	39,655
Canada 3/.....	11,789	11,551	274	20,800	17,500	3,240	20,916	18,580	2,336	20,930	18,400	2,530	19,171	18,500	2,530	19,171	18,500	2,530	19,171	2,530
EC 9.....	39,981	54,180	-14,268	56,000	69,350	-13,200	61,041	72,903	-12,457	63,501	76,545	-12,684	60,845	72,250	-12,684	60,845	72,250	-12,684	60,845	-12,684
Other Western Europe.....	11,571	13,570	-2,074	18,200	22,215	-4,120	19,487	24,872	-5,002	19,343	26,707	-7,807	21,375	25,800	-7,807	21,375	25,800	-7,807	21,375	-7,807
South Africa.....	3,807	3,807	2,323	8,715	5,830	2,585	4,522	6,086	188	11,696	6,726	3,679	9,670	6,830	3,679	9,670	6,830	3,679	9,670	3,679
Japan.....	2,274	4,646	-2,378	725	10,980	-10,265	406	12,370	-12,131	276	13,404	-13,573	250	13,550	-13,573	250	13,550	-13,573	250	-13,573
Australia New Zealand.....	2,889	2,012	875	5,415	2,985	2,480	4,054	3,417	1,305	4,942	2,858	2,018	6,000	3,400	2,018	6,000	3,400	2,018	6,000	2,018
Centrally Planned.....	119,513	118,656	819	149,707	151,830	-2,070	155,467	166,344	-2,840	183,635	192,550	-8,883	185,300	190,300	-8,883	185,300	190,300	-8,883	185,300	-8,883
Eastern Europe.....	40,329	40,329	-926	45,647	47,250	-1,550	55,296	59,347	-3,986	54,200	55,950	-1,758	52,400	55,900	-1,758	52,400	55,900	-1,758	52,400	-1,758
Soviet Union.....	56,002	53,539	2,463	71,330	71,870	-540	70,371	76,361	-5,990	96,535	101,500	-4,925	100,000	100,500	-4,925	100,000	100,500	-4,925	100,000	-4,925
China 4/.....	24,069	24,788	-718	32,730	32,710	20	29,800	30,636	-836	32,900	35,100	-2,200	32,900	33,900	-2,200	32,900	33,900	-2,200	32,900	-2,200
Developing.....	78,967	75,461	3,395	104,782	100,022	4,911	101,790	103,058	1,964	109,605	105,942	3,938	109,431	106,688	3,938	109,431	106,688	3,938	109,431	3,938
Mexico/Central America.....	7,704	7,996	-378	12,930	13,095	-100	11,958	13,856	-1,891	13,770	14,958	-1,945	12,872	14,798	-1,945	12,872	14,798	-1,945	12,872	-1,945
Venezuela.....	466	516	-50	702	945	-262	513	1,374	-665	417	870	-403	530	1,300	-403	530	1,300	-403	530	-403
Brazil.....	9,727	9,558	183	14,560	14,125	935	14,158	15,049	-41	15,672	15,073	599	15,750	14,850	599	15,750	14,850	599	15,750	599
Argentina.....	7,718	4,468	3,298	13,115	6,435	6,467	15,736	7,955	7,905	17,233	7,854	9,680	16,650	7,925	9,680	16,650	7,925	9,680	16,650	9,680
Other South America.....	2,853	2,1932	-38	3,530	3,910	-380	3,705	4,256	-643	3,900	4,686	-898	4,380	4,959	-898	4,380	4,959	-898	4,380	-898
No. Africa/Middle East.....	13,331	13,592	-284	15,900	17,615	-1,545	16,525	18,374	-1,552	15,863	18,532	-2,500	16,243	18,350	-2,500	16,243	18,350	-2,500	16,243	-2,500
Central Africa.....	8,632	8,633	--	10,608	10,686	-75	10,325	10,533	-213	8,104	8,339	-737	7,877	8,080	-737	7,877	8,080	-737	7,877	-737
East Africa.....	4,085	3,864	192	6,352	6,001	-19	5,693	5,485	854	5,406	5,473	736	7,135	6,045	736	7,135	6,045	736	7,135	736
South Asia.....	18,361	18,405	-108	18,180	18,700	-100	17,421	18,412	-797	19,718	20,788	-1,038	18,325	20,500	-1,038	18,325	20,500	-1,038	18,325	-1,038
Southeast Asia.....	753	112	648	2,100	295	1,700	1,643	528	1,970	2,812	673	2,080	2,735	700	2,080	2,735	700	2,080	2,735	700
East Asia.....	5,337	5,385	-68	6,805	8,215	-1,710	4,113	7,236	-2,963	6,710	8,746	-2,136	6,934	9,190	-2,136	6,934	9,190	-2,136	6,934	-2,136
World total.....	406,190	406,399	2,558	530,174	526,499	3,917	549,812	564,774	13,770	599,953	601,227	9,298	571,797	578,018	9,298	571,797	578,018	9,298	571,797	9,298

1/ Includes barley, rye, oats, corn, and selected sorghum crops.

2/ Disappearance is defined as grain available for consumption.

3/ Includes mixed grains.

4/ Includes barley, rye, oats and corn.

to roughly 141 million tons. West European consumption is expected to be constrained by higher feed grain prices resulting in reduced corn imports, reduced wheat exports, increased wheat feeding and a slight reduction in total grain usage. Japanese demand is projected at roughly last year's level due to pressure to maintain livestock herds built up in the late 1960's and early 1970's.

Import and export estimates based on table 10 set 1974/75 world coarse grain trade at 56-58 million tons, down from 76 million tons in 1973/74 and 65 million tons in 1972/73 (table 9). Adjusting for transshipments and netting out individual country imports and exports sets world net exports at 46 million tons, or at roughly the level prevailing in the late 1960's. Reduced export availabilities will drop the U.S. share of world 1974/75 coarse grain exports to about 50 percent from a 1973/74 high of 65 percent and a late 1960's average of 50-55 percent. (Patrick M. O'Brien).

Rice

World output of rice in 1974 will likely fall at least a million tons (milled) from last year's 211 million tons (figure 5 and table 11). This implies a shortfall of about 3.5 million tons from the 1960-73 trend value. Output could be even less if adverse weather hits the major Asian harvests this October-January.

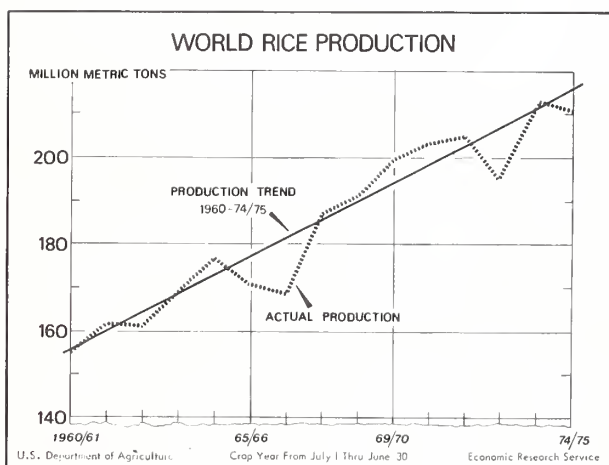


Figure 5

Consumption requirements in 1973/74, following a 4-percent decline in 1972 world rice output, were covered by a massive drawing down of stocks. Production in 1973 was 8 percent above the low level of 1972, and marginally above trend. Rice stocks have not been restored (table 12). With a decrease in production this season, demand can be expected to

continue pressing on supply at current prices. Rice consumption requirements increase at a minimum of 2.5 percent a year, in line with population growth and without allowance for any increased demand for rice from higher incomes.

Rice output outside Asia may surpass last year's level by 10 percent. The present forecast shows a record U.S. crop 22 percent above last year, U.S.S.R. up 14 percent, Europe 3 percent, Latin America 4 percent (Brazil, up about 4 percent), and Africa-Middle East 4 percent. These areas account for about 10 percent of world production.

In Asia (including estimates for China, North Korea, and North Vietnam), the output forecast of 189 million tons is 2.5 million tons, or 1.3 percent below last year. Production is expected to increase by 7 percent in East Asia, mostly from a 10-percent rise in Indonesia, 8-percent in Taiwan, and 4.5-percent in the Philippines. However, a huge combined shortfall of about 3.5 million tons below last season is forecast for India and Bangladesh, and consequently, despite a good crop in Pakistan (up 5 percent), South Asia production may drop almost 6 percent from last year. South Asia accounts for almost 30 percent of world rice production. Output in Southeast Asia (about 10 percent of the world total) is forecast to fall about 4.5 percent because of adverse weather in Northeastern Thailand and Burma. China, the world's largest rice-producing country, accounting for a third of world rice, is not expected to produce more than last year's 70 million tons. Japan's rice area is up but yields are down and output will stay about even.

The forecast world production of rice in 1974 implies a drop from 55 to 54 kilograms per capita. In Asia as a whole, there would be a drop from 93 to 90 kilograms.

Import demand for rice in 1974 (actual plus planned) is estimated at 8.4 million tons or over 1 million tons in excess of estimated export supply (actual plus planned), indicating continued upward pressure on prices. Part of the import figure consists of deliveries in 1974 under contracts concluded in 1973. Actual trade volumes in rice in 1974 will converge at a point between 7.0 and 8.4 million tons and most likely will exceed last year's volume of approximately 7.5 million tons.

Export rice prices in 1974 will average higher than 1973 levels. The price of Thai rice 5 percent broken f.o.b. Bangkok—an indicator of world rice price trends—averaged about \$350 a tons in 1973 and will certainly exceed this level in 1974. The Thai price exceeded \$600 a ton in the first part of 1974 and was hovering at \$525 a ton in August. With the failure of world rice output to increase in 1974, the Thai price can be expected to average above \$500 a ton in 1974/75. This judgement is based partly on the fact that some major rice exporters may be exporting less in 1975. From a high of about 1.5 million tons in 1973, China may export only 1.3 million tons in 1974. It is

Table 11--World milled rice production, disappearance and net trade

Country or region	1960/61-1962/63				1969/70-1971/72				1972/73				1973/74				1974/75			
	Prod- uction	Disap- pearance	Net exports	Prod- uction	Disap- pearance	Net exports	Prod- uction	Disap- pearance	Net exports	Prod- uction	Disap- pearance	Net exports	Prod- uction	Disap- pearance	Net exports	Prod- uction	Disap- pearance	Net exports		
Developed.....	14,593	14,222	371	15,581	14,485	2,103	14,755	14,442	2,042	15,474	13,690	1,779	16,186	13,512	2,134					
United States.....	1,867	1,845	1,022	2,878	1,314	1,719	2,821	1,185	1,771	3,073	1,219	1,639	3,758	1,258	2,129					
Canada.....	--	31	-31	--	60	-60	--	55	-55	--	50	-50	--	50	-37					
EC 9.....	584	784	-200	661	750	-89	557	773	-225	722	871	-19	718	711	-37					
Other Western Europe.....	439	604	-165	450	517	-67	395	458	-62	426	488	-77	450	505	-55					
South Africa.....	1	52	-51	1	77	-76	10	95	-85	10	95	-85	10	100	-90					
Japan.....	11,613	11,866	-253	11,400	11,706	546	10,826	11,836	548	11,056	10,926	210	11,050	10,838	100					
Australia & New Zealand:	89	40	49	191	61	130	146	40	150	187	41	161	200	50	150					
Centrally Planned.....	55,280	54,781	499	70,308	70,005	303	67,875	67,084	1,155	71,346	70,411	997	71,517	70,729	952					
East Europe.....	90	338	-248	147	403	-256	163	368	-241	162	369	-243	177	369	-228					
U.S.S.R.....	159	335	-176	831	1,149	-318	1,072	1,176	-104	1,144	1,202	-60	1,300	1,420	-120					
China.....	55,031	54,108	923	69,330	68,453	877	66,640	65,540	1,500	70,040	68,840	1,300	70,040	68,940	1,300					
Developing.....	89,219	89,603	-354	119,064	122,460	-2,643	112,703	119,780	-2,941	124,332	126,783	-4,123	122,372	127,248	-3,941					
Mexico/Central America:	466	573	-87	719	852	-133	644	703	-79	663	787	-134	673	821	-131					
Venezuela.....	47	53	-6	131	114	17	165	180	220	272	200	72	275	220	55					
Brazil.....	3,569	3,505	64	4,749	4,705	68	4,950	5,000	80	5,100	5,200	20	5,300	5,400	100					
Argentina.....	117	95	22	232	162	70	197	170	30	213	172	42	268	178	90					
Other South America.....	961	960	1	1,432	1,279	123	1,485	1,436	45	1,565	1,594	106	1,594	1,519	165					
No. Africa/Middle East:	1,724	1,756	-32	2,806	2,826	-20	2,667	3,153	-436	2,493	3,286	-798	2,702	3,686	-1,064					
Central Africa.....	1,971	2,407	-436	2,868	3,563	-695	2,890	3,490	-600	3,095	3,795	-700	3,110	3,810	-700					
East Africa.....	144	167	-23	214	235	-21	219	230	-11	215	226	-11	215	226	-11					
South Asia.....	45,752	46,617	-865	57,589	59,206	-884	53,922	55,637	445	61,438	59,511	153	57,939	59,013	205					
Southeast Asia.....	15,844	12,463	3,381	20,555	18,692	1,843	17,670	17,512	623	19,905	18,826	635	18,990	17,774	735					
East Asia.....	14,217	16,378	-2,161	22,704	25,468	-2,763	22,594	26,452	-2,694	24,303	27,826	-3,218	25,946	28,961	-3,105					
Rest of world.....	4,417	4,623	-212	5,115	5,358	-248	5,400	5,745	-345	5,070	5,360	-290	5,360	5,640	-280					
World total.....	159,122	158,606	516	204,953	206,750	-237	195,333	201,234	256	211,152	210,884	-1,347	210,075	211,489	-855					

1/ Production primarily in initial calendar year combined with trade in the following year to get disappearance in year shown. Some regions do not balance because of changes in stocks.

Table 12--Rice stocks at beginning of the season, selected countries, 1969-74

	: Season : : beginning :	: 1969 : :	: 1970 : :	: 1971 : :	: Ave. : : 1969-71 :	: 1972 : :	: 1973 : :	: 1974 : :
	- - - - -Thousand metric tons- - - - -							
United States...	Aug. 1	532	539	614	562	374	170	258
Japan.....	Nov. 1	5,330	7,100	6,057	6,162	3,288	1,730	1,400
Italy.....	Aug. 1	<u>1/</u> 41	<u>1/</u> 75	107	74	73	139	139
Brazil.....	Apr. 1	1,178	1,308	1,043	1,176	537	62	288
India <u>2/</u>	July 1	5,700	5,000	5,500	5,400	4,500	3,000	<u>3/2</u> ,300
Thailand.....	Jan. 1	n.a.	n.a.	1,521	<u>3/</u> 1,500	1,232	1,178	797
Indonesia.....	Apr. 1	n.a.	332	685	508	227	802	941
Korea, Rep. of..	Oct. 1	n.a.	n.a.	491	<u>3/</u> 500	539	<u>3/</u> 650	<u>3/</u> 480
Malaysia (West)..	Jan. 1	207	205	300	237	254	102	102
Philippines.....	July 1	475	543	501	506	712	151	207
Taiwan.....	July 1	372	400	412	395	266	182	200
Total.....		--	--	--	16,520	12,002	8,166	7,834

1/ Sept. 1.2/ Government stocks only.3/ Estimate.

Source: Dispatches and official yearbooks.

also recognized that the 1974 output shortfalls in India and Bangladesh may not result in substantially greater commercial imports because of financing difficulties and resort to imports of less expensive grains.

Rice stocks were heavily depleted in 1972/73

following the 1972 output shortages in rice and grains (table 12). Stocks were down again slightly at the beginning of the 1974 season and on a world basis are not expected to recover until after the 1975 harvests. The rice situation will continue tight for at least another year. (Robert D. Barry)

WORLD MEAL AND OIL SITUATION TO REMAIN TIGHT

The U.S. soybean plays a dominant role in the world supply picture for both meal and oil. Thus, when unfavorable U.S. weather during the spring, and early summer of 1974 created poorer prospects for the 1974 soybean crop, world prices for oilseeds and products increased sharply. This happened despite prospects for increased production in most of the rest of the world.

The expected decline in the 1974 U.S. soybean crop—nearly 7 million tons below that of 1973—is equivalent to approximately 5 million tons of meal, roughly 7 percent of world meal production. On the other hand, meal production in the rest of the world is expected to be up 2 million tons, so the net decrease is only 3 million tons. Stocks, rebuilt during 1974, will also add to world supplies.

The high/meal oil ratio of soybeans means that the smaller soybean crop in the United States, is relatively less important to world oil supplies. On an oil basis, the U.S. soybean shortfall is equivalent to just over a million tons of oil, approximately 4 percent of world production. Within the oilseeds complex the major increases forecast for 1975 are for products with a high meal/oil ratio (soybeans in Brazil and fishmeal in Peru). Thus, on balance, world edible oil production is forecast to show a 0.5-million-ton decline for 1975.

Estimated production, trade, and consumption of oilseed meal and edible oils for major regions of the world are contained in tables 13 and 14. Since both crop year and fiscal year trade data for oilseeds and products are unavailable for many countries, calendar year data were used. Calendar 1974 trade data are estimates based on presently available, though incomplete data. Therefore, the 1974 estimates of consumption must be regarded as tentative. In addition, for many of the smaller countries, even 1973 trade data are incomplete or unavailable. Of course, estimates for 1975 are subject to even more uncertainty. Production, consumption, and trade of fishmeal are expressed in terms of soybean meal equivalent. Other oilmeals were not converted to soybean meal equivalent.

The estimates of 1974 meal and oil production are simply the product-equivalents of oilseeds harvested in the summer and fall of 1973 and winter and spring of 1974. Copra, palm kernels and fishmeal—which have a less well defined harvest period—were

assumed to be available during the year harvested. Oil and oilmeal production in 1975 is, to the extent available, based on official estimates of oilseed production during the fall 1974 harvest, plus forecasts of the spring 1975 harvest. The production forecasts for spring 1975 are based on historical production levels, production trends, and governmental policies.

Though necessary because of data limitations and a need for simplicity, the methodology used here has some major weaknesses. First, use of calendar year data covers parts of 2 crop years within the United States, the world's major oilseed producer. Second, the assumption that additional production of oilseeds is equivalent to additional meal or oil supplies does not tell the whole story. Economic factors such as crushing margins and physical factors such as crushing facilities largely determine when and where an oilseed is converted into its meal and oil components. Third, especially for importing countries, stocks data are limited, with the result that availability figures must be used to estimate disappearance, but with the reservation that changes in availability do not fully measure changes in consumption.

Before discussing the forecasts for 1975, it may be well to review late 1973 and early 1974. Oil and meal supplies in 1974 were augmented by record 1973 harvests of soybeans in the United States and Brazil, sunflowers in the Soviet Union, and a near record peanut harvest in India. In addition, the anchovy situation in Peru returned to a more normal state with a 2.45-million-ton fish catch during the spring season of 1974. On the downward side, African peanut production was significantly reduced by the 1973 drought and coconut production was off in the Philippines in 1974.

The year opened with the crushing industry still feeling the effects of the very short supplies of 1973. In addition to the general economic uncertainty created by the petroleum shortage, a special problem developed for oilseed crushers who were disturbed by possible limitations in the supply of hexane, a solvent used in crushing.

On balance, 1974 world production, though a record for both meals and oils, tended to favor meal production relative to that of oil. Thus as 1974 progressed, at least until indications of the effect of

Table 13.--World edible oil production, net trade and availability (oil equivalent basis),
for 1969-71 average, 1972, 1973, 1974, and forecast for 1975 1/

Country or region	1969-71 Average			1972			1973 2/			1974 3/			1975 4/		
	Produc- tion	Net exports	Disap- pearance	Produc- tion	Net exports	Disap- pearance	Produc- tion	Net exports	Disap- pearance	Produc- tion	Net exports	Disap- pearance	Produc- tion	Net exports	Disap- pearance
	Million metric tons														
Developed	6.11	2.22	3.87	6.31	2.40	4.10	6.93	2.45	4.23	0.82	3.05	4.44	7.08	2.68	4.64
United States 5/	0.33	0.14	0.20	0.73	0.45	0.28	0.53	0.35	0.18	0.47	0.28	0.19	0.44	0.17	0.27
Canada	0.79	-3.07	3.86	0.76	-3.43	4.19	0.78	-3.50	4.28	0.87	-3.66	4.53	0.94	-3.77	4.70
EC-9	0.82	-0.35	1.20	1.02	-0.57	1.58	0.97	-0.40	1.26	0.90	-0.43	1.33	1.00	-0.38	1.40
Japan	0.03	-0.73	0.75	0.02	-0.90	0.91	0.01	-1.06	1.06	0.01	-1.03	1.04	0.01	-1.12	1.13
Aust. & N.Z.	0.02	-0.05	0.07	0.08	-0.02	0.10	0.06	-0.03	0.08	0.04	-0.06	0.10	0.04	-0.06	0.10
South Africa	0.12	0.03	0.09	0.14	0.02	0.11	0.11	0.00	0.11	0.21	0.06	0.15	0.21	0.05	0.16
Total	8.23	-1.82	10.01	9.04	-2.04	11.27	9.37	-2.17	11.20	10.76	-1.79	11.78	9.72	-2.44	12.41
Central Plan															
East Europe	0.90	0.02	0.88	1.04	-0.04	1.07	1.04	-0.04	1.08	1.02	-0.02	1.04	1.19	0.03	1.15
U.S.S.R.	3.04	0.50	2.53	2.86	0.33	2.53	2.61	0.26	2.35	3.53	0.52	3.01	3.37	0.56	2.82
P.R. China	1.45	0.08	1.25	1.43	-0.04	1.50	1.67	0.01	1.34	1.67	-0.11	1.46	1.72	-0.01	1.41
Total	5.40	0.61	4.66	5.33	0.25	5.10	5.37	0.23	4.76	6.22	0.39	5.51	6.28	0.59	5.38
Less Developed															
Mexico & Cent. Am.	0.38	-0.16	0.55	0.40	-0.10	0.50	0.42	-0.13	0.55	0.44	-0.27	0.70	0.43	-0.32	0.76
Brazil	0.68	0.04	0.64	1.02	0.31	0.71	1.28	0.48	0.80	1.50	0.66	0.84	1.67	0.71	0.96
Argentina	0.41	0.10	0.31	0.37	0.10	0.27	0.50	0.15	0.35	0.55	0.16	0.38	0.53	0.18	0.35
O.S. America	0.24	-0.13	0.36	0.26	-0.17	0.43	0.25	-0.17	0.43	0.26	-0.18	0.44	0.27	-0.19	0.46
North Africa	0.48	-0.15	0.62	0.52	-0.08	0.61	0.61	-0.08	0.69	0.52	-0.19	0.72	0.62	-0.12	0.74
Central Africa	2.59	0.96	1.62	2.75	0.90	1.85	2.75	0.90	1.85	2.75	0.80	1.95	2.98	0.97	2.01
West Asia	0.47	-0.23	0.70	0.62	-0.29	0.91	0.63	-0.29	0.85	0.76	-0.28	1.04	0.67	-0.32	0.99
South Asia	2.45	-0.13	2.58	2.89	-0.10	2.99	2.20	-0.10	2.30	2.78	-0.12	2.90	2.67	-0.13	2.67
South east Asia	0.13	-0.01	0.14	0.15	-0.01	0.16	0.18	-0.01	0.19	0.18	-0.01	0.19	0.19	-0.01	0.20
East Asia, Pac.	2.51	1.24	1.27	3.40	1.90	1.50	3.56	1.80	1.75	3.57	1.83	1.74	3.93	2.11	1.81
Total	10.34	1.54	8.80	12.37	2.46	9.92	12.37	2.55	9.75	13.28	1.40	10.90	13.83	2.88	10.95
Grand total	23.96	0.34	23.48	26.74	0.66	26.28	27.11	0.61	25.72	30.26	-0.01	28.19	29.83	1.03	28.74
Grand total Less U.S.	17.85	-1.88	19.60	20.43	-1.73	22.18	20.18	-1.84	21.49	22.00	-3.04	23.75	22.75	-1.65	24.10

1/ Includes soybean oil, cottonseed oil, peanut oil, sunflower oil, sesame oil, coconut oil, palm oil, palm kernel oil, and olive oil.

2/ Preliminary

3/ Partially forecast

4/ Forecast

5/ U.S. disappearance estimates include the effect of stock variations.

Table 14--World oilseed and fishmeal production, trade and availability, (meal equivalent basis),
1969-71 average, 1972, 1973, 1974, and forecast 1975 1/

Country or region	1969-71 Average				1972				1973 2/				1974 3/				1975 4/			
	Production	Net exports	Disappearance	Production	Net exports	Disappearance	Production	Net exports	Disappearance	Production	Net exports	Disappearance	Production	Net exports	Disappearance	Production	Net exports	Disappearance		
----- Million metric tons -----																				
Developed																				
United States 5/	25.4	11.6	14.6	26.5	12.9	15.0	28.6	14.8	13.8	34.4	17.9	15.3	29.4	15.9	15.5					
Canada	1.3	0.4	0.9	1.9	0.9	0.9	1.4	0.8	0.8	1.3	0.7	0.9	1.4	0.4	1.0					
EC-9	1.1	-12.5	13.6	1.2	-14.2	15.4	1.2	-13.7	15.0	1.2	-14.6	15.8	1.3	-14.7	16.0					
O.W. Europe	1.0	-1.9	2.9	1.2	-2.2	3.3	1.0	-2.3	3.2	1.1	-2.4	3.5	1.1	-2.4	3.6					
Japan	1.0	-2.7	3.8	1.1	-2.9	4.1	1.1	-3.5	4.7	1.0	-3.2	4.3	1.1	-3.6	4.7					
Aust. & N.Z.	0.1	0.1	0.2	0.1	0.1	0.2	0.1	0.1	0.2	0.1	0.1	0.2	0.1	0.2	0.3					
South Africa	0.7	--	0.3	0.4	0.2	0.4	0.6	0.2	0.4	0.7	0.3	0.5	0.7	0.2	0.5					
Total	30.7	-4.9	36.3	32.6	-5.4	39.4	34.0	-3.8	38.1	40.0	-1.5	40.5	35.1	-4.4	41.5					
Central Plan																				
East Europe	1.3	-1.2	2.5	1.6	-2.8	4.4	1.5	-3.2	4.7	1.5	-3.2	4.7	1.7	-3.3	5.0					
U.S.S.R.	5.6	--	5.6	5.7	-0.3	6.0	5.2	-0.5	5.8	6.5	-0.1	6.5	6.4	-0.4	6.9					
P.R. China	4.2	0.2	3.6	4.2	-0.2	4.0	4.7	--	4.1	4.7	-0.5	4.6	4.7	-0.1	4.4					
Total	11.1	-0.9	11.7	11.5	-3.3	14.4	10.9	-3.7	14.6	12.7	-3.8	15.9	13.0	-3.8	16.2					
Less Developed																				
Mexico & Cent. Am.	0.8	-0.1	0.9	0.8	-0.1	0.9	0.8	-0.1	0.9	0.9	-0.3	1.2	0.9	-0.3	1.2					
Brazil	1.8	1.1	0.7	3.3	2.6	0.7	4.4	3.1	1.2	5.4	4.1	1.3	6.1	4.5	1.5					
Argentina	1.0	0.8	0.2	0.8	0.5	0.3	1.1	0.7	0.4	1.3	0.9	0.4	1.3	0.9	0.4					
O.S. America	3.7	2.9	0.8	3.0	2.6	0.4	1.2	0.6	0.6	2.5	1.8	0.6	3.1	2.3	0.7					
North Africa	0.7	0.3	0.4	0.8	0.3	0.5	0.8	0.3	0.4	0.7	0.3	0.4	0.8	0.3	0.5					
Central Africa	2.1	1.4	0.7	2.3	1.3	1.0	2.3	1.3	1.0	2.2	1.2	1.0	2.4	1.4	1.0					
West Asia	0.7	0.1	0.7	0.8	0.2	0.7	0.9	0.2	0.7	0.9	0.2	0.7	0.9	0.2	0.7					
South Asia	4.8	0.8	4.0	5.7	0.7	5.0	4.6	1.0	3.6	5.5	1.1	4.4	5.1	0.9	4.2					
Southeast Asia	0.2	0.1	0.1	0.3	0.1	0.2	0.3	0.1	0.1	0.3	0.1	0.1	0.3	0.1	0.2					
East Asia, Pac.	1.5	--	1.5	1.9	0.1	1.7	1.9	0.1	1.8	1.9	0.1	1.8	2.0	0.1	1.9					
Total	17.3	7.4	9.9	19.6	8.4	11.3	18.2	7.4	10.8	21.5	9.5	12.0	22.9	10.5	12.3					
Grand total	59.1	1.6	58.0	63.7	-0.3	65.0	63.6	-0.1	63.4	74.2	4.1	68.3	71.0	2.3	70.0					
Grand total Less U.S.	33.7	-10.0	43.4	37.2	-13.2	50.1	35.0	14.9	49.6	39.8	-13.8	53.0	41.6	-13.6	54.5					

1/ Oilseed meals include those from soybeans, cottonseed, peanuts, rapeseed, sunflower, linseed, sesame, copra, and palm kernels. Fishmeal data is adjusted by a factor of 1.5 to reflect its higher protein content.

2/ Preliminary

3/ Partially forecast

4/ Forecast

5/ U.S. disappearance estimates include the effect of stock variations.

the U.S. drought became clear, meal prices tended downward while those of oil remained considerably above the 1973 average (table 15).

Protein Meals

For 1975, looking first at aggregate meal production, based on forecast fall 1974 harvests, world meal production is expected to be down 3 million tons (table 13). Nearly all of the decrease is due to the short U.S. soybean crop. The only other region expected to have smaller production is South Asia, due to the smaller peanut crop in India. Sunflower meal production in the Soviet Union will be down, and only slightly offset by small increases in cottonseed meal and soybean meal.

On the positive side, production increases are forecast for Brazil soybeans, up 0.7 million tons on a meal equivalent basis. Also, Peruvian fishmeal is expected to be up the equivalent of 0.6 million tons of soybean meal over 1974 and about 2.0 million tons over 1973. For 1975, peanut meal production in Central Africa is also forecast to be above the drought-stricken 1974 level.

Data limitations rule out adequate consideration of oilseed and meal stocks and thus total available supplies. However, it is known that for crop year 1974/75, U.S. opening stocks of soybeans are above 1973/74 levels by the equivalent of 2.2 million tons of meal. In addition Brazilian soybean stocks are forecast to be up the equivalent of 800,000 tons of meal at the start of the U.S. soybean year. Peruvian officials expect this fall's fish catch to about match the improved level achieved last spring, making it reasonable to expect that fishmeal stocks will also be up substantially at the close of 1974.

In summary, preliminary indications are that world meal production will be down approximately 3 million tons in 1975, but that the buildup of stocks during 1974 will act to keep available supplies at or near the 1974 level.

Consumption forecasts for oilseed meals are based on what is expected to happen within the livestock sectors of individual countries. On an aggregate basis world consumption levels are expected to increase 1.7 million tons; of that, only 0.2 million tons will arise in the United States.

Within the individual regions, the major consumption increase is expected in Japan where an increase of about 0.4 million tons may take place. Eastern Europe and the Soviet Union are forecast to increase consumption levels approximately 300,000 tons each. Consumption is expected to decline in South Asia due to poor prospects for peanut production.

Of special interest is the way the different regions have responded to the fluctuating grain, meal, and meat prices of the past 2 years. In the United States and Western Europe consumption of oil meals in 1973

was significantly below that of 1972 and forecast 1974 consumption is above the 1972 levels. A small increase is forecast for 1975. On the other hand, 1973 disappearance in Japan was above 1972 but turned down in 1974 and is forecast to show a relatively large increase in 1975. Indications are that the Japanese pattern resulted from larger than normal stockpiling during 1973.

Aggregate imports and exports for 1974 and 1975 were independently estimated. Thus, estimated exports for 1974 exceed estimated imports by 4 million tons. Although reported imports and exports often differ by more than a million tons because of statistical discrepancies, it seems unlikely that such discrepancies can account for a 4-million-ton difference. It is more reasonable to assume that year-end stocks in exporting countries, especially Brazil and Peru, may be higher and exports lower than table 13 indicates.

Estimates of imports and consumption for 1975 are especially hazardous due to the uncertain situation regarding both meat demand and feedgrains prices. Especially uncertain is the situation in the EC-9 where, at least on the margin, there is a great deal of substitution between feed grains and oilseed meals. However, little is known about either the rate of substitution or the extent that it may take place. In other areas of the world, the shortage of feed grains will probably tend to decrease rather than increase the demand for protein meals.

Edible Oils

For edible vegetable oils, production for 1975 is forecast to be down only slightly from 1974, less than 2 percent of world production (table 14). Again the smaller U.S. soybean crop is the major cause of the decline. U.S. vegetable oil production in 1975 is forecast to be 1.2 million tons below that of 1974. Other regions that are forecast to have lower production in 1975 include the Soviet Union with slightly less than last year's record sunflower oil production and South Asia with smaller peanut oil production.

Significant increases in oil production are forecast for Brazil (soybean oil), Central Africa (peanut oil), and East Asia (palm and coconut oil). These must be viewed as very tentative since all of these increases are forecast for areas where the physical harvesting of the oil-bearing crop is still a considerable time away.

As was the case with meals, available supplies of oils may be above the 1974 production level. For the U.S. crop year beginning September 1974, the carryover of soybeans was expected to be up 2.7 million tons, equivalent to approximately 0.5 million metric tons of oil. Still, on a U.S. crop-year basis, Brazilian stocks of soybeans are also expected to increase, roughly equivalent to 170,000 tons of oil.

Table 15.--Selected international prices for soybeans and oilseeds products, annual 1969-73, monthly averages
July 1973 to August 1974 1/

Year and month	Soybeans 2/	Soybean meal 3/	Peanut meal 4/	Fishmeal 5/	Soybean oil 6/	Peanut oil 7/	Sunflower oil 8/	Palm oil 9/	Coconut oil 10/
Dollars per metric ton									
Annual Averages									
1969	103	95	117	211	282	333	261	171	366
1970	117	103	131	291	293	341	368	279	378
1971	126	102	116	186	304	373	373	266	358
1972	140	129	142	239	252	418	325	215	249
1973	290	302	300	542	465	540	481	395	503
Monthly Averages									
1973									
July	330	549	457	549	n.q.	558	567	482	238
August	331	330	368	526	741	591	591	557	573
September	266	218	289	506	n.q.	536	498	n.q.	491
October	245	207	240	469	n.q.	524	562	422	617
November	239	223	258	615	n.q.	576	577	470	718
December	254	243	306	680	667	785	770	583	1,068
1974									
January	261	221	224	588	805	1,148	773	633	1,110
February	271	203	210	518	859	1,004	738	650	1,205
March	265	200	230	402	727	1,129	850	710	1,266
April	235	172	157	391	731	1,113	897	613	1,150
May	230	158	154	405	784	1,103	997	611	996
June	228	142	149	374	803	1,064	965	610	1,076
July	276	163	201	280	911	1,017	965	639	1,007
August	261	182	192	407	803	1,123	900	649	1,108

n.q. = No quotation.

1/ Nearest forward shipment. 2/ U.S. no. 2, bulk, c.i.f. Rotterdam. 3/ U.S. 44 percent, c.i.f. Rotterdam. 4/ Nigerian 54 percent, c.i.f. U.K.
5/ Peru 65 percent, c.i.f. Hamburg. 6/ U.S. crude, c.i.f. Rotterdam. 7/ Nigerian/Gambia 3-5 percent, c.i.f. U.K. 8/ Any origin, Ex-tank, Rotterdam.
9/ Malaysian 5 percent bulk, European ports, U.K. 10/ Sri Lanka, 1 percent bulk, c.i.f. European ports. 11/ Philippines/Indonesia, c.i.f. Rotterdam.

Source: Oilworld Weekly, Hamburg, West Germany. Monthly Bulletin of Agricultural Economics and Statistics, FAO, Rome.

In apparent response to lower rates of growth in real income, estimated world consumption of vegetable oils in 1975 is expected to be only 0.5 million tons above that of 1974. Most of the increase is forecast for the developed countries. Consumption in the less developed countries is forecast to just equal that of 1974 and consumption may actually decline slightly in the centrally planned economies. Each of the three major divisions had significant increases in availabilities in 1974 as compared to 1973.

For the world, forecast import and export levels indicate a slight loosening of the present tight

situation for vegetable oils. However, most of the forecast increases in exports are to come from products that will not be available until late 1975. Thus, though the data indicate adequate exportable oil supplies will be available, many factors could interact to cause temporary shortages and higher prices within any one period. That is, a situation could develop similar to that in 1974 when, as table 15 suggests, supply data indicated that oils should have been in good supply-demand balance. Nevertheless, price data indicated that oil supplies tended to be tight relative to demand. (Arthus L. Coffing)

WORLD MEAT PRODUCTION INCREASING

World commercial meat production is growing again in 1974, reversing the sharp 1973 drop. Meat prices are steady at levels below those to which they soared earlier but above those that existed before the current period of rapid price changes.⁸ Major factors responsible for these developments are as follows:

- • The economic boom experienced in major developed countries during 1971 to mid-1973 pushed up prices of meat, especially beef, and encouraged a buildup of herds and flocks.
- • The slowing (or decline) in world economic growth since mid-1973—further dampened by the energy crisis—and the sharp rise in feed prices has caused consumer demand to slacken and livestock slaughtering rates to increase.

World cattle numbers in January 1974 were estimated at a record 1.3 billion head, up nearly 2 percent from the previous year. Increases over 1973 were registered in practically all areas of the world—North America, Western Europe and Eastern Europe were all up about 4 percent; South America was up 2.8 percent; USSR was up 2.1 percent; and Oceania and Asia were up 0.4 percent. Cattle numbers in Africa showed a 0.9-percent decline.

Concomitant with the upswing in world cattle numbers were rising hog and sheep numbers—3 percent and 1.3 percent, respectively. World poultry numbers also appear to have been expanded sharply, particularly in the first half of 1973.

World meat production is expected to increase sharply in 1974. Slaughter rates for beef, which dropped to low levels in recent years, are expected to rise in most major commercial beef producing countries. Estimated production increases for beef in 1974 over last year for selected countries or areas are as follows: Japan, 23 percent; Western Europe, at

least 10 percent; United States, 6 percent; Mexico, 5 percent; Argentina, 4 percent; and Canada and Central America, 2 percent. With the high concentrate prices, more beef—particularly U.S. beef—will tend to be grass fattened. Pork production will also increase sharply in 1974. Output in the United States is estimated to be about 7 percent above 1973 levels. Hog numbers are up in Western Europe and the hog slaughter in the last half of 1974 is expected to be 3-4 percent above 1973 levels. World broiler production appears to have increased in the first half of 1974 but production cutbacks can be expected in major producing areas in the last half of the year.

Meat consumption has turned sluggish in many areas of the world. The unfavorable economic situation (slowdown plus inflation) and continued high retail prices for meat are the major factors restraining consumption. In addition, the costs facing livestock producers, particularly for feed have risen sharply. Producer prices for livestock and livestock products have either fallen or failed to keep up with rising costs.

Governments of various countries have reacted in various ways to price-cost difficulties in the livestock sector. The U.S. Government has intervened in the market with purchases of beef and poultry for the school lunch program. In addition, on July 25, 1974, \$2 billion of emergency credit was established for U.S. livestock producers unable to obtain loans from commercial leading agencies in the absence of a government guarantee. No unilateral trade restrictions have been imposed on meat imports into the United States.

The European Community in December 1973 approved subsidies on beef and veal exports for the first time. France, Italy, and Belgium-Luxembourg were permitted to impose embargoes on fresh and chilled beef from outside the Community from late February until March 31. After numerous other trade restrictive acts—including a prior-deposit scheme introduced unilaterally by Italy on May 1 and applying to a large number of agricultural products

⁸For an analysis of the production and trade developments in 1973-74 which provide the backdrop for current events, see the "World Meat Statistics" and "World Meat Economy in Perspective" by Donald W. Regier in the July 1974 (LMS-197) and December 1973 (LMS-194) issues of the *Livestock and Meat Situation* published by ERS.

including beef, veal and live animals—the Community on July 16 banned all imports of beef, veal and live animals through October 1974 (except quantities specified in quotas agreed to under GATT). Large intervention purchases have been made on beef and poultry; substantial sales of both commodities have been made to the USSR with the aid of subsidies. Before the banning of meat imports, EC regulations required that all meat imports had to be matched by equal purchases of intervention meat. Several member countries of the EC have agreed to cut back poultry production in the second half of 1974.

The Japanese Government suspended on February 1 further purchases of a 90,000-ton beef import quota they had established for the October 1973-March 1974 period. Somewhat less than 40,000 tons of the quota amount was unfilled. On August 28, a portion of this quota (6,300 tons) was restored under the condition that the retailers would sell an equal amount of Japanese dairy steer beef, both at prices not to exceed the wholesale price by more than one-fourth. Beginning April 1, 1975, Japan may adopt a price stabilization plan for beef with floor and ceiling

prices set on dairy cattle carcasses based on production cost.

The Canadian Government supports the livestock sector by restricting imports of slaughter cattle, beef, turkey meat, and eggs. A beef price-stabilization plan provides a price support of C\$45.42 per 100 lbs. liveweight. In addition, certain transportation subsidies also benefit the livestock producer. U.S. exports of slaughter cattle and frozen and fresh beef and veal to Canada are now subjected to a quota system which is expected to cut our exports to that country from recent levels.

Meat exports from Argentina, Australia and New Zealand are expected to fall sharply in 1974 partly because of import embargoes by the European Community and Japan. Good pasture conditions have permitted Argentina and Australia to hold cattle on the farm for marketing at a later time. Despite the gloomy export situation, the liveweight price of slaughter cattle was recently increased 12 percent in Argentina; this action should lead to a continuation of the herd expansion which began in 1971. (Reed E. Friend)

THE WORLD FOOD SITUATION AND CURRENT ISSUES⁹

The world food situation has been highly unstable for the past 2 years. Food prices have climbed as food reserves, primarily grains, fell. Food shortages, even localized famine, have appeared at times. Hopes for large production increases in 1974 from U.S. land brought back into production were thwarted when poor weather cut yields. With supply dependent upon current production levels, and demand rising fueled by both population and income growth, the world faces another year of anxious uncertainty about food prices and supplies.

Of immediate concern in the United States has been the question of how domestic production should be allocated between potential U.S. and foreign buyers. Another has been the capacity of the United States to provide emergency and other forms of food aid assistance to needy countries around the world. In addition, anxieties about the current situation have intensified concern about the whole set of complex longer-term issues dealing with world food prospects which will be raised at the World Food Conference in Rome this November,

U.S. Food Aid Capability

U.S. food aid has been at a level of about \$1 billion for several years. The quantity of commodities which could be purchased with that amount this year is

expected to be less than that purchased in previous years because of sharply higher prices. President Ford, in a speech to the United Nations on September 18, pledged that, "to make certain that the more immediate needs for food are met this year, the United States will not only maintain the amount it spends for food shipments to nations in need, but it will increase this amount."

U.S. food aid shipments are classified as non-commercial exports and include shipments under Public Law 480 and Mutual Security (A.I.D.). Total food aid exporters have ranged in value from \$0.8 billion in fiscal 1955 to the high level of more than \$1.5 billion in the mid-1960's. Available supplies of U.S. farm products, the needs of the recipient countries, and budgetary constraints, have been the major determinants of the level of yearly U.S. food aid shipments. Other influences have included the availability of transportation, storage, and handling facilities to distribute imported food to the needy. In many countries, there are few relief or welfare organizations of the type needed to distribute food through non-commercial channels.

The principal food aid commodities sent abroad in fiscal 1974 included rice, wheat and wheat flour, feed grains, oilseeds and products, and animal and dairy products. U.S. shipments of rice, wheat and wheat flour, and feed grains in fiscal 1974 accounted for approximately three-fourths of the value of total food aid exports.

The strong demand for wheat in the world market is reflected in the decreasing share that food aid

⁹The *World Food Situation*, to be published this fall by the Economic Research Service, will present a comprehensive analysis of how the world food situation has developed over the past two decades and the prospects for the next decade.

exports of wheat are of total wheat exports. In fiscal 1973, they were 4 million metric tons, 13 percent of total wheat exports, but only 1.5 million tons, 5 percent of the total, in fiscal 1974. These shares contrast sharply with those of 33 to 47 percent for the 1969-72 period. Greater constraints are expected for feed grains. In fiscal 1973, 1.6 million tons, 4 percent of all feed grains exports, went for food aid, while 1.1 million metric tons, 2 percent, was devoted to food aid in fiscal 1974.

The U.S. food aid program (table 16) consists of two major components: (1) food aid sales and (2) food aid donations for economic development and emergency relief. The first category accounted for over two-thirds of the \$942-million total food aid program in fiscal 1974, while the second accounted for nearly one-third. It is shipments for long-term dollar and convertible foreign-currency credit sales which are most likely to decline in the current tight situation.

The United States has a commitment to fulfill requests for donations for economic development and emergency relief, particularly for refugee and disaster relief. The economic development components, including the humanitarian aspects of this program—primarily maternal and child feeding, school feeding, and food for work—in 1973 accounted for about two-thirds of the \$287 million of donations used for development and emergency relief. The emergency relief component—refugee, disaster, general welfare and special emergency relief—accounted for the other one-third. Such assistance is made available through voluntary agencies, recipient government agencies, and the World Food Program.

The United States has responded over the years to requests for emergency food aid to avert human starvation during periods of crisis such as those caused by earthquakes, typhoons, epidemics, wars, and civil disturbances. In this year of tight world food supplies, the United States is giving the highest priority to emergency relief within the food aid assistance program. Thus, the Government hopes to meet the urgent and immediate threats of starvation around the world.

Food aid for emergency relief amounted to \$103 million in fiscal 1973, 10 percent of total food aid, and, except for fiscal 1972 when large shipments were made to relieve suffering in India, Bangladesh, and Pakistan, have not exceeded \$60 million since fiscal 1970. (Robert L. Tontz).

Longer-Term Food Issues

The recent instability of the world food situation is extraordinary in view of the fact that prior to 1972 the world had experienced two decades of expanding food production and rapid increases in general agricultural activity. The resulting plentiful, even surplus, supplies of grain had brought declining

grain and food prices and made large amounts of food available for both aid and assistance to developing countries. Such reserves provided a cushion against shortfalls in production, but were considered undesirable burdens by the countries which held them.

But then came 1972 and the first absolute decline in food production in two decades. Grain stocks were drawn down to their lowest levels for those decades and remained low despite good crops in 1973. Land which had been withheld from production was replanted to crops in hopes of rebuilding stocks, but poor weather frustrated those hopes. Food prices, as well as prices of many other agricultural commodities, rose to record levels.

Rapid economic growth in most of the world in the early 1970's added pressures to the demand for food. High and increasing rates of inflation in the general economy interacted with and reinforced the upward movement of farm prices. Serious international monetary adjustments altered price relationships around the world. Unexpected and extremely large increases in petroleum prices and, hence, energy costs, sharp increases in most commodity prices, and high prices and uncertain supplies of fertilizer further complicated the food situation.

Adding to the anxiety produced by these developments has been the increasing awareness and concern about factors affecting food production and consumption which bring into question the world's ability to produce sufficient food to feed its ever-expanding population. There are 75 million people being added to the world every year. The world's population is expected to reach 6.5 billion in the next 25 years, compared to 3.9 billion now and 2.5 billion 25 years ago.

Increases in economic growth, both total and per capita, exert additional demands on the world's food supply and its productive resources. The amount of land easily and economically farmed under prevailing techniques, like other natural resources, is limited. There is anxiety about the ecological effects of modern agricultural practices which might limit the potential for further increasing food production on land already farmed.

The gap in the standard of living between rich and poor countries does not appear to be narrowing very rapidly. Thus, the world's more fortunate citizens consume progressively more foods from grains converted into livestock products, while the world's less fortunate, a more rapidly growing group, continues to eat a basic diet precariously near levels of minimum adequacy.

Perceptions of long-term weather patterns and the impact of man on his physical environment have given rise to fears in some quarters that the recent past may have been more favorable for food production than can be expected in the future.

But what is likely to be the shape of the future world

food situation? It depends.... The world's stock of land and productive inputs seems sufficient to support greatly increased food production. Whether and how fast production increases depends more on policy decisions than on natural forces or limits to production inputs.

The theories and evidence of some scientists forecasting climatic shifts detrimental to agriculture do not seem conclusive. But, of course, weather is unstable and unpredictable, and the world needs to be prepared for its effects. Similarly, the stability of food supplies and food prices will depend upon policy measures. Instability in the world's weather will produce instability in both the supply and price of food, unless appropriate mechanisms are adopted to smooth out fluctuations.

An important question is what type of stock system and level of stocks can be developed which will both assure a generally desired level of food security without providing disincentives for growth in agricultural productive capacity. How large food stocks should be, who should hold them, who should pay for them, and how they should be managed are difficult and complex subjects. The need for a minimum level of stocks to provide famine relief seems clear and agreement to hold such stocks seems likely.

One of the most critical questions is how agricultural price policies contribute to the persistent and growing problems of food deficits in developing countries, surpluses in developed countries and large and unpredictable and growing grain shortages in the planned economies. (Harry Walters)

World Food Conference—Purpose and Agenda

In his address before the United Nations General Assembly in September, 1973, Secretary Kissinger called for a World Food Conference to discuss ways to maintain adequate food supplies and to harness the efforts of all nations to meet hunger and malnutrition resulting from natural disasters. In December, 1973, the United Nation's General Assembly endorsed a resolution to hold a World Food Conference in Rome during November, 1974 so that the major issues relating to the world's food situation could be discussed.

The Preparatory Committee for the Conference has thus far held two meetings to draft a Conference agenda and rules of procedures, and to direct that an assessment of the world food situation be undertaken. A third preparatory meeting will be held in late September to review Conference documents and to finalize plans and procedures for the Conference.

The proposed Conference agenda as prepared at the second meeting of the Preparatory Committee contains two major areas of the work for the

Conference. The first deals with the assessment of the world food situation based on the reports of the Secretary-General of the Conference and the Preparatory Committee. The second area of work will center on national and international programs of action including:

- a. measures for increasing food production in developing countries within the wider framework of development;
- b. policies and programs for improving consumption patterns in all countries and aiming at insuring adequate availability of food in developing countries, particularly to vulnerable groups;
- c. strengthening world food security through such measures as an improved early warning and information system, more effective national and international stockholding policies and improved arrangements for emergency relief and food aid;
- d. specific objectives and measures in the area of international trade and adjustment which are relevant to the food problem including measures toward stabilization and expansion of markets for exports from developing countries; arrangements for follow-up action including appropriate operational machinery on recommendations or resolutions of the Conference.

A major item on the agenda will deal with world food security. There will be an effort to get agreement on general guidelines for a new system of food reserves, and for a new, better coordinated program of food aid. At FAO's 1973 biennial conference, member countries endorsed the Director-General's proposal for a new minimum world food supply system, the major aim of which is to develop an international network of national stockpiles, with countries adopting stockpiling policies which conform to an internationally agreed upon set of principles. The specific operational framework of this food security system has not yet been decided upon but it is expected that the Conference will address itself to this task. Furthermore, for such a food security system to work, it is essential that all major importing and exporting countries, including the Soviet Union, participate.

How the Conference will deal with the other issues—i.e., food aid, increasing food production, improving food distribution and diets—is still somewhat uncertain, although it is expected that they will each receive a full hearing before the Conference adjourns. The issue of international trade will also be discussed, but since trade negotiations cannot lead to binding agreements in the U.N., but only in GATT, the Conference may limit itself to endorsing the principles of freer trade and to expressing the hope that the multilateral trade negotiations can make progress toward this goal.

Table 16 --Value of U.S. agricultural exports, commercial and under food aid programs, fiscal years 1970-74

Item	1970	1971	1972	1973	1974
-- Million dollars --					
Commercial exports	5,685	6,678	6,923	11,864	20,381
Total food aid (under government programs)	1,034	1,080	1,124	1,030	942
Food aid sales <u>1/</u>	793	800	744	743	649
Food aid donations <u>2/</u>	241	280	380	287	293
For development	194	220	197	184	NA
For emergency and general relief:	47	60	183	103	NA
Refugee	9	11	18	19	NA
Disaster	32	46	14	20	NA
General welfare	7	3	4	1	NA
Special emergency	---	---	3/147	4/63	NA
Total U.S. agricultural exports	6,719	7,758	8,047	12,894	21,323

Source: Foreign Agricultural Trade of the United States, ERS, USDA, various issues and President's Annual Reports on Public Law 480.

1/ Sales for foreign currency, long term dollar and convertible foreign currency credit sales, and Mutual Security Aid sales.

2/ Government-to-Government donations for disaster relief and economic development, and donations through voluntary relief agencies.

3/ Programs in India, Bangladesh, and Pakistan.

4/ Programs in Bangladesh.

The World Food Conference has within its means a good opportunity for developing and implementing a program of action to help solve the world's food

problems. Through international cooperation, responsibility for action on these important problems can be shared. (W. Scott Steele)

OUTLOOK CONFERENCE SCHEDULED FOR DECEMBER 9-12, 1974

"U.S. Agriculture in the World Economy" is the theme for the 1975 National Outlook Conference to be held December 9-12 at the U.S. Department of Agriculture in Washington, D.C.

The conference will feature presentations and panel discussions. Particular attention will be given to the outlook for agriculture and the general economy in 1975. Sessions on the 1975 outlook for major commodities, foreign trade, and rural family living will make up an important part of the conference as usual. USDA's Economic Research Service and Extension Service sponsor the conference. More time will be available for commodity sessions. The schedule for individual sessions will be announced later.

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SEPTEMBER 1974